Crompton

Crompton Greaves Consumer Electricals Limited
Registered & Corporate Office: Tower 3, 1st Floor,
East Wing, Equinox Business Park, LBS Marg,
Kurla (West), Mumbai 400 070. India
Tel: +91 22 6167 8499 F: +91 22 6167 8383
W: www.crompton.co.in. CIN : L31900MH2015PLC262254

Date: May 18, 2018

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: 18/2018-19	**Our Reference: 16/2018-19**

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 ended March 31, 2018, kindly find enclosed the transcript of the same, held on May 16, 2018.

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

Crompton Greaves Consumer Electricals Limited



"Crompton Greaves Consumer Electricals Limited
Q4 FY2018 Earnings Conference Call"

May 16, 2018

Analyst : Ms. Renu Baid - Institutional Equities – Research, IIFL

Management: Mr. Shantanu Khosla – Managing Director
Mr. Mathew Job – Chief Executive Officer,
Mr. Sandeep Batra – Chief Financial Officer,
Mr. Yeshwant Rege – Vice President-Strategy and Financial Planning

Moderator: Ladies and gentlemen, good day and welcome to the Crompton Greaves Consumer Electricals Limited's Q4 FY2018 Earnings Conference Call, hosted by IIFL Capital 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 an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Renu Baid from IIFL Capital Limited. Thank you and over to you Madam!

Renu Baid: Thank you Vikram. Good morning everyone. On behalf of IIFL Capital, I would like to welcome you all to the Q4 FY18 conference call of Crompton Greaves Consumer Electricals. Today we have with us the entire senior management of Crompton to discuss the performance of the Q4 and overall for FY18 as well. The management is represented by Mr. Shantanu Khosla, Managing Director; Mr. Mathew Job, CEO, Mr. Sandeep Batra, CFO, and Mr. Yeshwant Rege, Vice President-Strategy and Financial Planning. Without taking much time, I would like to hand it over to Mr. Shantanu Khosla for his opening remarks thereafter we can start with the Q&A. Over to you Sir!

Shantanu Khosla: Thank you, Renu. Good morning. This is Shantanu here in our offices in Bombay, and thank you for dialing into the call. As usual, I will give a bit of an overview and try and add some perspective and then we will leave as much time as we can for questions.

Let me start, actually, this call by talking about our ECD business, since I think that is probably something, which you have the most interest and need more colour. Overall, I assume you have seen the numbers. Our ECD business grew close to double digits, and we continue to grow margin and bottomline.

Now let me get into the ECD segment, of course starting with the largest and most important segment, Fans. Fans for the quarter grew close to double digits, and we continue to build our margins and profitability. As we have talked in the past, there are really three things that we are focusing on to sustainably continue to grow our Fans business.

First, consumer-based innovation, introduce new innovative products that truly make a difference to the consumer. For example, as you are aware, one of those, which we introduced based on this approach last year, was our anti-dust fan, which has been extremely successful. Over the last fiscal, which was the first full year of anti-dust fans, we sold in excess of 200 Crores of the anti-dust variant, which probably makes it the largest single new innovation initiative in the fans industry.

We continue to drive this. And recently, we introduced another consumer-based innovation called Air 360, which is another truly innovative product. Basically, what Air 360 unique design delivers is 50% more coverage of the breeze and the circulation created by the fan. In fact, in our consumer testing, Air 360 was preferred 2-1 versus any other fan. One of the strongest results we have ever got. This went into market towards the back half of the quarter under discussion. And initial results are extremely encouraging, though obviously, there is a great opportunity to drive this further.

These innovations are really at the core of building our Fans business by, as you said before, growing premium. Our Fans business, which grew close to double-digits this quarter, has continued to grow market share. As you are probably aware, the fans market is still essentially flat and our sales growth represents share growth. Also, when we look at our retail audit data, that also indicates continuing share growth for our Fans business in the quarter under discussion, primarily as we had planned, driven by premium fans.

The second leg of our approach on Fans, and frankly, across all our businesses, has been to truly revamp our go-to-market. Create a go-to-market which is much, much more based on driving distribution and the quality of display and visibility in retail stores via a strengthened distributor partnerships and via leveraging data and technology.

As you are aware, we began this journey a few years ago because this is something, which takes literally years to complete, and we began it in the South with Lighting where we had wonderful results. And that was the first market and category we went to. South continues to be our lead market, if you will, for our go-to-market approach, and it is delivering extremely strong results.

In Fans in the South, we grew close to 25% in the previous quarter and close to 25% in this current quarter under discussion. So we are really seeing the results. We have, over the past couple of quarters and months, been expanding this approach, as we have talked, to other geographies and other categories. Recently, over the past three, four months, we began changes in the North of India also.

As most of you are probably aware, the North is probably one of the most challenging trade environments to make these changes, because the changes involves price stabilization, stronger coverage. Historically, we have, in the North, like most of the industry, been extremely wholesale dependent. So the North actually is the area which, while we have been beginning to do these changes, has been declining over the last couple of quarters, which is something we actually

anticipated because this happened to us even in the South when we first implemented Lighting, as inventory levels settle, as a focus shift happens from wholesale to retail. But we are extremely confident and truly believe, especially given the results we have got in the South, emerging results, which we are getting in the West, that this is the right way to go, focus on retail, focus on superior service to the shopper, superior availability to the shopper.

So our business has responded where this program has been running for a while. We are beginning to see the business begin to respond, though it will definitely take a couple of more quarters as we continue to expand this program. One of the reasons why we chose not to do this in a big bang across the country and category at one time is because we were aware that there are short-term impacts when you implement it in a particular market. So we have been balancing that as we move along, to keep total growth and share intact.

The third key focus element, obviously on our Fans business, and again, across the company, has been really driving down costs and really focusing on operational efficiency. This, along with our extremely successful approach of driving the premium segment, has continued to be the key contributor of profit and margin growth on Fans.

Next, we are quite happy with our progress in Fans. We are quite happy with the fact that we are continuing to grow share. And as our go-to-market changes, begin to mature, we believe we will continue to drive accelerated share growth and focus growth behind our critical innovations.

The second area in our ECD business I would just like to talk about briefly is pumps. As you recall, we had talked in the last quarter about some competitive challenges we were facing in pumps, which had impacted the growth rate. We were still growing. We were still growing share, but the rates of growth had come down. And we had briefly talked about our plans to quickly address this. And our program, which we talked about, was looking at a redesigned pump, which we called Crest Mini, which could go head-on with the lower-priced pumps. That has been exceedingly successful. We have actually grown mini volume sales close to 25% in the quarter under discussion. Our total pumps business has now really pulled back up to strong growth rates, market-leading growth rates. And in this quarter, we grew 13% to 14% in terms of value in pumps in total.

The last thing I would like to briefly mention in the third segment is our small appliances segment where we talked about the need to get strong innovations. We have developed and introduced, on a pilot basis in some markets, a truly unique

cooler. This cooler, based on its innovative design, offers 60% better cooling than the leading cooler in the market, which is truly an outstanding breakthrough in performance. It is a window cooler. It provides other advantages, therefore, in terms of space, in terms of maintenance, in terms of look. And we have put this out in pilot because we still want to learn a bit more, especially about the model of installation, etc., which we are providing with launch. But we are optimistic that this will continue to build our cooler business. Obviously, like we have talked before, I cannot mention details, but we have got a series of such meaningful large innovations across our other categories also which will come in the course of this year.

Moving on from ECD to Lighting. Lighting, obviously, continues to grow extremely well. Our Lighting business grew in excess of 20% this year and sustained that level of growth driven by a strong focus on our B2C business where we are continuing to drive distribution and availability, not just of the bulbs but also the LED tube lights and panels, and our continued work in the B2B segment, which stays an important focus area for the Lighting business.

While versus a year ago, our Lighting margins have continued to improve significantly in the quarter under discussion, versus the previous quarter, there has been some reduction in gross margin. This reduction in gross margin was driven partly by the fact that pricing still continues to decline in the market, and the market is extremely competitive, as you are probably aware. But secondly, most of the decline in the margin was caused by one-off provisions, warranty provisions and some other provisions, which we have charged because that is appropriate to do in the quarter.

Next, we have had, we believe a nice, solid consistent quarter. If you recall, our goals and targets were always set at growing faster than the market and building our bottomline faster than our topline. We think we are continuing to build the right sustainable interventions, such as our go-to-market, the innovation capability we are building, the supply chain capability we are building. We are also, as we move forward, stepping up our investments in digitization, automation, which is critical for us to really leverage our new go-to-market infrastructure that is rolling out as we speak.

We look forward to the year ahead. Hopefully, we will not get the nature of external shocks, which we got in the current fiscal, especially at the beginning of the fiscal with the GST implementation. And markets, such as real estate markets and the economy, will continue to be a tailwind as opposed to a headwind, which should set

us up, given our current position, for another strong year of performance in the year ahead.

With that, I will just end my remarks and then we are happy to take questions.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have a first question from the line of Arnav Mitra from Credit Suisse. Please go ahead.

Arnav Mitra: Shantanu thanks for taking the question. On this go-to-market changes just wanted to understand the couple of things here, so one potential issue as you are saying could be that there is a destocking at some levels in north, which is causing the primary sales to be low or is it also that actually there is a market share shift at the consumer level because of these changes and therefore even if they stabilize it is going to be some permanent loss that you have taken and is it driven more by changes in discount credit kind of policies or is it just a transition where you need to change distributors may be consolidate and things like that so any kind of bit more colour on this will be helpful?

Shantanu Khosla: Okay. It is actually a combination of different weightages of all the factors you mentioned. Obviously as we want to drive more retail focus we have to build new stronger distributor partnerships, build their information systems and capability and that is while the appointment of a distributors happen if you will instantly, the building of that capability of that distributor, the familiarity of that distributor salesmen with the retailer all takes some amount of time. There is also definitely a focus on establishing clear price stability for every channel and this is important if we want to implement the changes, which we wanted that causes some amount of market disturbance. We went through this if you recall when we first implemented this program for the first three months in Lighting in the South. So that leads also to some inventory adjustments with the large wholesalers. These issues tend to be greater in North India than other parts of the country. So we are diligently working through each of these issues even when you talked the North we are not implementing everything, everywhere, even there we are taking it a branch by branch, base by base to make sure that you get the right balance as you go along. So you see a dip for three to five months, which is sort of coming to the end we believe in our judgement in the North, and then it begins to stabilize and then it begins to grow. We have seen this pattern in South across categories we seen this pattern in the East, in the East for reference also where we been doing this program, in the previous quarter, our fans business grow about 25% and this quarter it grew in excess of 15%. We saw this pattern in the West. In the West we were also

declining in the North, in this quarter that decline has been arrested and it come to flat and we definitely looking a growth in the quarter to come.

Arnav Mitra: Sir just one follow up, are you confident that there is not been much of a secondary or let us say an off-take kind of a loss it is more of a channel thing and is there a way to quantify the primary impact, I will come back for any other question.

Shantanu Khosla: Well, we are reasonably confident because that we have not lost anything significant from a consumer offtake point because the retail audit data indicates that we are continuing to grow share. In terms of quantification, well it is difficult to quantify exactly but clearly if the North is declining the difference between a decline and an average growth is a fair estimation I would guess of the temporary loss and that is if you place back that is not very different and it was easier to quantify them because that was out of the single category that is not very different from what we experienced about two years ago in lighting in the South.

Arnav Mitra: Okay. Thank you so much Sir. I will come back in the queue.

Moderator: Thank you very much Sir. We have next question from the line of Venkatesh B from Citi Bank. Please go ahead.

Venkatesh B: Sir very simple question, is it possible to keep this GST and excise adjusted growth category wise what was the growth in fans for the full year, fans, pumps, appliances and lamps?

Sandeep Batra: At the moment, we will not be able to share these numbers but at an overall level I think the impact of GST you could use the company level average across all the individual categories. I mean the Lighting is quite transparent right, because you have segmental growth numbers, and we are now saying that and in fact the Lighting the impact of this whole GST adjustment was the highest, it was nearly 8%-9% in the Lighting and all the others would be in the range of 4% to 5%.

Shantanu Khosla: Like Sandeep said within the ECD categories, there is not a significant difference in the adjustment factor because largely we have a strong, that is the other one of our key strengths, which is our asset light model like, which gives a kind of ROCE that is industry leading and that is sort of plays across all the three categories.

Venkatesh B: Thank you very much Sir.

Moderator: Thank you Sir. We have a next question from the line of Chirag Shah from CLSA. Please go ahead.

Chirag Shah: Thank you for taking my question I will limit my question to just one. You mentioned on the cooler side, we have done some pilots in some markets. I mean without elaborating on which market you looked at can you just explain to us as to whether these markets are really relevant and what is the kind of geography we have covered so for and if this products are successful the rollout would be in the next season?

Shantanu Khosla: We have covered. I would estimate and Mathew correct me if I am wrong, about 15% to 20% of the market. The reason we chose to pilot first is because of the nature of this product unlike coolers we used to this get installed like an air-conditioner and we are offering because I believe that this is important free installation so we wanted to make sure that we had built up and confirm the capability to deliver this installation at high quality to our consumers before we expanded nationally that was really we wanted to qualify since this capability, we have not had before more than qualification of the product and the benefit we feel very, very strong about that. Early signs where we gone are extremely positive and receptive we will of course go whole hog on this, in the coming season at the right time.

Chirag Shah: Thank you for taking my question.

Moderator: Thank you Mr. Shah. We have a next question from the line of Sagar Karkhanis from Motilal Oswal Securities. Please go ahead.

Sagar Karkhanis: Thank you for this opportunity. I just wanted to understand on the premium fans, you mentioned in the South we have seen 25% growth in this quarter as well as in the last quarter so is it that the share of premium fans is higher in the south versus the other region and you could throw some light in that context?

Mathew Job: The share of premium fans is definitely a highest in the South and in the West this was the two regions, which have a high share of premium fans.

Sagar Karkhanis: So is that what has been driving the growth in the south market?

Shantanu Khosla: No -- I mean, one, premium fan growth in general has been what has been driving our growth nationally. I am putting the difference in the South growth largely behind the fact that we are much further along go-to-market path. And I guess the other data point, which helps us believe that is the second region where we had begun to broaden the implementation of go-to-market was East. And actually in the East, historically, we have had the lowest market share for fans. And in the East, we grew Fans 25% last quarter and we grew about 15%-16% this quarter on Fans.

Moderator: Thank you Sir. We have the next question from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani: Thank you for taking my question. I just have one clarification on the go-to-market is it now that for Lighting it is been rolled-out across geographies and for fans the only pending geography is North?

Shantanu Khosla: Okay, no not entirely through, Lighting is a little ahead of fans on a national basis, fans still is in the process of rollout both in West and North. North is about a quarter or so behind West so it is not such a discrete thing it is a continuous process. Also it is not that South is done and dusted. We are now moving to what we call a go-to-market if you will 2.0, which brings in certain other capabilities, for example much stronger IT enabled data analytics capability to support it. Salesmen with handhelds, dealer portals so all of that is also coming so it is that a thinking of it something which is discrete I would urge you to think of it which is something, which is a continuing journey.

Gunjan Prithyani: No, sure I am just clarifying this from the perspective that you have been able to curb the growth decline or you know the slow down of growth in East and South, now if North and West is may be it takes three months or six months these markets should stabilize in terms of growth is three to six month is a fair assessment for stabilization of the market or it could take longer?

Shantanu Khosla: That is a fair assessment.

Gunjan Prithyani: Okay.

Moderator: Thank you. We have a next question from the line of Ashish Shah from Goldman Sachs. Please go ahead.

Ashish Shah: Sir my first question is on this new cooler pilot that you were started. I just wanted to understand in the Q3 we missed out on some revenues on the water heater side because you are slightly late to introduction of the new models. Similarly on the cooler side since that we are pretty much in the summer season probably if the pilot continues for sometime even the next quarter would not see the full impact. So just wanted to understand the reason on why some of these launches have taken longer than when the actual season for them should have started that is my first question?

Shantanu Khosla: I think the kind of innovations we are trying to do now are completely new to industry, they require significant work in the entire design and development stage, so they take relatively longer to qualify, they have relatively higher risk but on the flip side they have relatively greater payout like I was talking about the cooler, it is

a whole new capability for us, the stability to go and install product and consumer's home. We have not done that before. We have to create a network we have to make sure the network is working and in our judgement because obviously it is a trade off, we believe that you need to get that right so we believe we needed to learn that before we commit to national expansion.

Ashish Shah: Okay. Understood Sir. So we should expect that this quarter we will see the impact of the cooler business or you think it will still take one quarter for it to get to that stage?

Shantanu Khosla: Well the cooler business is really so seasonal in terms of the primary sales, that the bulk of primary sales of cooler really happens up to April, so it is in the pilot we keep learning and the next season where we expect it to make a dramatic impact.

Ashish Shah: Understood Sir.

Moderator: Thank you. We have our next question from the line of Atul Mehra from Motilal Oswal Asset Management. Please go ahead.

Atul Mehra: Good morning. Thanks for the opportunity. Sir, just coming back to the air cooler part of the business so while we innovated here, what is the, in terms of shelf life of the innovation, given that the product itself was supposed to be low-tech and normally what you have seen in the air cooler is people replicate whatever is the latest innovation? So according to you, what is the shelf life of this innovation and how long do you think it will take for competitors to copy this?

Mathew Job: Let us learn a little bit from what has happened in the past. For example, we were the first ones to bring anti-dust fans to market. So obviously, we are the ones who did drive research. We had the ability of having a longer timeframe to get to market the best technology that will deliver anti-dust. And if you see others have copied it. But the fact is there is no other organization, which has built anywhere near similar kind of business like we did in anti-dust. And if you look at the cooler, I think a part of it is to the extent possible IP protected, and part of it is, of course, not IP-able. So of course, the possibility exists that somebody can copy parts of it in the future. But in that sense, I think what we mentioned earlier, in terms of having a pipeline of innovations, it is not just one. This is just the first step in the journey, so we are very sure that we are also having in the future subsequent innovations which will continue to help drive our growth in the time to come.

Shantanu Khosla: As we have defined it, you need on the coolers business, at the very least, one big innovation every 2 seasons, ideally 1 every season. Again, if you take the fans

example, last year, we did anti-dust, this year, we are building Air 360, both which we believe are big, significant consumer meaningful innovations. So you need that base. And on a seasonal business, once a season would be our goal. We may not hit it every season but that is what we would aspire to do. But you definitely need 1 every 2 seasons.

Atul Mehra: Right. And Sir, on the economics for the consumer on this product, so while you deliver 60%?

Shantanu Khosla: One of our objectives in this innovation, and you saw that in anti-dust, is to make sure that we develop innovations and cost structures that keep the product within a meaningful price band. So for example, this Air 360, which is actually, I mean, for me as a consumer, I think the 360 benefits is even better than the anti-dust benefit. But keeping our margins intact, Air 360 will sell cheaper than our anti-dust product. Similarly, when we developed this cooler, one of our design objectives was like-to-like parity.

Mathew Job: It is right at the heart of the competition for that product.

Shantanu Khosla: Correct. So it is a 50-liter capacity, even though it has all these additional benefits and better cooling etc. We priced it parity to 50 liters in the market. And worked the cost structure from design phase onwards so that it did not have a margin impact.

Atul Mehra: Thank you for the answers.

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

Venugopal Garre: Sir, on the revenue front, I just wanted to understand that since last year, there were several market disruptions, and you seem to be entering the year on a fairly strong note in terms of the new products that you are launching in the key categories that you operate in. From a growth perspective, would it be fair to say that FY2019, especially for ECD, should pan out to be a much stronger year, assuming the market does not really support you in terms of growth?

Shantanu Khosla: Well I can assure you that the Board of Directors expects it to be.

Venugopal Garre: Thanks a lot.

Moderator: We have a next question from the line of Bharghav Buddhadev from Ambit Capital. Please go ahead.

Bharghav Buddhadev: Thank you for the opportunity. Sir, just one question. Sir, how committed is the company to go to the path of rolling out go-to-market on a pan-India basis? The reason I am asking is this, obviously, is very painful in the near term but has very long-term advantages. We have already seen that in the case of Bajaj launching TOC 2 years away back, but now things are turning around. So if you can just throw some light on this.

Shantanu Khosla: Yes. First, to be absolutely clear, we are exactly where you are. We believe it is the right thing to do for the business. It is the right thing to do for the shopper, consumer and customer. So we are fully committed to it. Now I think there are two things we are doing, and we have continued to do it. Because again, I would just want to re-clarify, we did not start this go-to-market program this quarter, nor is this go-to-market program going to end next quarter. It was almost the first thing we started when the company was formed. Our approach has been twofold. Number one, to balance the risk, expand and move forward incrementally. Because again, just to clarify, while we do have these challenges in transition in the North, our total business has grown at around 10% close to double digits in a flat market, and we have grown share. So we are balancing this pragmatically by moving forward incrementally step-by-step. The 25% growth, which I am getting when I am further ahead in the South, is giving us the space to continue to take the risks for the short-term in the North. That is the approach we will continue to follow. That being said, we are also continuing to learn. I can assure you that since we started expanding this plan 2.5 years ago, it is quite different executionally from what we are expanding now, because we are learning at each stage. We are learning how to continue to work with wholesalers, even in the new model, because that is also important, because there are certain stores, which we cannot reach effectively, nor can our distributors, which wholesalers might service. We are learning how to better select distributors. We are putting in, like I said, a lot more data system so we can get the data to help the distributors build a building. So it is a journey. We do not, at all for us, it is not acceptable to sort of say we are doing go-to-market for 2 years so we are going to decline for 2 years on a national basis. That is not acceptable. That is not our approach. We are doing it incrementally and managing the total business to hopefully be in a much better end state and a stronger sustainably growing business.

Bharghav Buddhadev: Sir, clearly, credit to the team that, despite this transition, the margins are still being maintained so, Sir, the credit for that. Thank you Sir.

Moderator: Thank you very much Sir. We have a next question from the line of Navin Trivedi from HDFC Securities. Please go ahead.

Navin Trivedi: Good morning everyone. Sir, can you just share your premium share in the Fan market for the quarter and for the year?

Mathew Job: The market we think the premium would be around 8% to 10% of the total market.

Navin Trivedi: Our market share in premium.

Mathew Job: Our market share in premium? See I think we do not look at share specifically within the segment. We look at our overall share and how premium is contributing to driving our share growth in the total Fans business. If you ask me, out of the total market share gain that we have made in the last two years in Fans, about 80% of that gain has been driven by our improved growth in premium fans. That is how I would look at it. That was our plan and we delivered. So if we look at the 2.5-year period, our market share has grown by approximately 3 percentage points in Fans. Obviously, 80% plus is contributed by growth in premium.

Navin Trivedi: So our share used to be around 20%?

Mathew Job: Our share used to be about 23%, 24%. 2.5 years back, the later deliverables we have is about 27%.

Navin Trivedi: Thank you.

Moderator: Thank you. The next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh: Good morning Sir. Thanks for the opportunity. Sir, on the go-to-market approach, are there any quantifiable numbers in terms of what percentage of our overall channel we have done with the go-to-market approach applicability? And by when you see that because we have seen in the other companies that they are also lingering effect, of even after we have done the go-to-market approach, then the market share and the numbers keep on remaining weak for maybe 6 to 9 months and then only the recovery starts. So if you can help us with some quarterly time line, maybe it will take two to three more quarters and what is the kind of channel expansion, which we will see post this?

Shantanu Khosla: Okay. Again, I think I commented on this. Where we began our transition 2.5 years ago, yes, 2.5 years ago, we have been doing that, which is South Lighting is where we started. The last two quarters are showing robust growth, frankly even before that the quarters were showing good growth. Where we just began, the business is declining. In areas, which we began around 6 months ago, it has declined and come back to flat, and we expect growth in the next quarter. So like I mentioned, in a

particular market where we do it, our learning and data indicates about within three to six months business in the growth rates begin to come back. How? Like I mentioned to a previous caller, we are not doing it in 100% of the markets at the same time. For example, in the West, we have done it in Goa and Gujarat. We are only just now doing it in Pune. And the way we are doing this is in a way that we balance the total risk.

Charanjit Singh: Okay, Sir. And just a last question from my side on the small appliances side, if you can give us an update in terms of how the market is shaping up and what are the product offerings, which we might have in this market?

Shantanu Khosla: Small appliances, I would not like to talk too much about our innovation because they are still work in progress. Like I mentioned, the way we define the appliances category, our first innovations have gone in, in cooler, which is now in the market on a pilot basis. And we have some strong innovations coming up this season on geysers.

Charanjit Singh: Thank you. That is all from my side.

Moderator: Thank you Sir. We have next question from the line of **Jay Kakkad** from Haitong Securities. Please go ahead.

Jay Kakkad: This is Jay here. So just one question, when you are making this changes in the GTM the distribution side. Are you also making any changes in the sourcing side also? And if you can highlight, because of these changes, how would be the South market now in terms of margin improvement and working capital reduction?

Shantanu Khosla: On your first question, yes, we are making the supply chain side changes. And think I have talked about some of them in the past because to support the go-to-market, you have to step up your service and availability for your customer. The first change which we put in, and I think again I mentioned this quite a few quarters ago, was we put in place an entire S&OP process and a demand forecasting process. That is a process, which we have been running now for coming on two years. It did not exist before that and is now pretty stable and is largely automated and runs off our systems. And that is step 1. Step 2, like I mentioned I think it was last call. We are beginning to rework our distribution centers and transport systems, A, leveraging what is now possible due to state borders, barriers eliminated post GST. Like I have mentioned last time, in the North of India, we have got a program running in partnership with Future Logistics who we partnered with to be our logistics provider. So of course, this entire program is an end-to-end program. It includes the supply chain. It includes a high level of data, digitization and automation, ultimately all the

way from the frontline salesman back to the factory, building off the backbone of the latest version of SAP, which we implemented a couple of years ago. I cannot comment because I do not have the data, because we do not break it down that way in terms of profitability in South, etc. Maybe you want to have a conversation in terms of whatever we can share after this call with Yeshwant and he can provide you whatever data we have and is appropriate to share.

Pratik Singh: Thank you so much for the answer.

Moderator: Thank you Sir. We have the next question from the line of Bhoomika Nair from IDFC Securities. Please go ahead. Thank you. We have the next question from the line of Harshit Kapadia from Elara Capital. Please go ahead.

Harshit Kapadia: Thank you for taking my question Sir. Sir, we have spoken innovation on ECD side of the business. What about innovation on the Lighting side of the business? Anything on LED side that you are looking at which can also give growth, or do you believe there is enough demand for LED bulbs, tube lights and other sources that innovation may take a few years and then you are looking at?

Shantanu Khosla: The answer is an emphatic yes. Let me just quickly remind you of our approach. We have LED lights two opportunities for ongoing growth. First is the fact that, in spite of the tremendous growth of LED over the last couple of years, which we have got disproportionate share of, only about 20% of current lights have converted to LED. So firstly, there continues to be a huge growth opportunity to convert more and more of traditional CFL lighting, etc., to LED. That is point and growth opportunity one. Growth opportunity two, and I think I have talked about this in the past, is that where we will now grow LED is by giving value-added benefits which the LED technology allows you to. CFL was very limited in terms of what all you can offer. LED has huge probabilities of innovation, all the way from smart lighting, colored lighting and various other meaningful benefits. That is the second way that we will continue to create, if you will, a premium segment which does not exist today of current LED light users. So these are the two growth approaches. For the second approach, consumer meaningful innovation is absolutely critical. You can expect that we will have at least one such really big consumer meaningful innovation within this year. That is what we are working to, as we are talked earlier. Not two to three years from now because we have to work both of these simultaneously.

Harshit Kapadia: Thank you Sir.

Moderator: Thank you Sir. We have next question from the line of Snigdha Sharma from Axis Capital. Please go ahead.

Snigdha Sharma: Thanks for taking my question. So I joined the call slightly late so I apologize if I am repeating the question. I believe the reported number of growth for consumer appliances during the quarter is 2%, but you had mentioned that in Fans, we have grown double-digits and also maintained share during the quarter. Is that right?

Shantanu Khosla: In Fans, we have grown close to double-digits and we have grown share in the quarter. The data we have to indicate that we have grown share is, one, our growth is close to double-digits, and the market all data indicates is flat. The second data point we had is the retail audit data which we regularly share, and that also shows in the quarter we have grown market share driven, as has been over the past periods, by the premium segment.

Snigdha Sharma: Sure, Sir. And secondly, congratulations on a commendable, just really quickly on this…

Moderator: Thank you. We have the next question from the line of Anshuman Dev from ICICI Securities. Please go ahead.

Anshuman Dev: Thanks for the opportunity. I had one question regarding the cooler segment. So in line with our right to win philosophy, when do we expect to get to that #2 or a #3 position in the cooler market?

Mathew Job: It is very difficult to say exactly when we will become #2 or #3. But I think the innovations that we are bringing into the market I am sure will help us work our way upwards from the current position that we have. And then I think a two- to three-year timeframe is a reasonable timeframe to expect, where we target to become 1 of the top 3 players.

Anshuman Dev: Thank you.

Moderator: Thank you Sir. We have the next question from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Good morning Sir. Sir, I just want to know what has been the ESOP charge in fourth quarter and how is it likely to shape up going forward? And how do we intend to utilize surplus cash?

Sandeep Batra: So the total ESOP the total charge for the year was about Rs.57 Crores, and that has got charged out equally over the four quarters. Going forward in this year, FY2018-2019, the ESOP charge will be about Rs.31 Crores, Rs.32 Crores, again, equal over the four quarters. As far as cash is concerned, in end of March, we had about Rs.550 Crores of cash. We have two large payouts. One is the interest on the

bonds, which gets paid in June, and the board yesterday has recommended a dividend, which, once approved and if approved by the shareholders at the AGM, will take up another Rs.130 Crores of cash. We also have a debt repayment scheduled for next year in the month of June, for which we will have suitable cash reserves. And of course, whatever other cash remains on the balance sheet, A, will be invested and will be made available for any growth opportunities that the company may have.

Aditya Bhartia: Thanks Sir.

Moderator: Thank you Sir. We have next question from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

Shrinidhi Karlekar: Thanks for the opportunity. Sir, I just wanted to understand the demand outlook for the fans category, not just for you but the industry as a whole. It seems like it has not grown much for the quarter as well as full year, despite a benign base. So what is really driving the sort of weak growth for this year and how does the outlook look like going into FY2019?

Shantanu Khosla: Okay, it is obviously difficult to predict, but there is only one factor, which I would personally look at. We have a lot of data, and I think I mentioned this in the past, that there is a strong correlation between housing starts and the fan market, so for me, the leading indicator of market growth coming back, because the fans market has historically grown at 6% to 8% year-on-year-on-year, some years higher, some years lower. But the most correlated factor to the market growth in a particular year has tended to be housing starts.

Shrinidhi Karlekar: Okay, fair enough. So basically, that remains a weak market. But then, Sir, the way we understand that the large part of the fans was a replacement market. So is not that the correct understanding that the correlation is so strong?

Shantanu Khosla: No, a large part of fans is not replacement. The larger percentage of fans is new points.

Shrinidhi Karlekar: Thanks for the opportunity.

Moderator: Thank you. We have next question from the line of Sonali Salgoankar from BOB Capital Market. Please go ahead.

Sonali Salgoankar: Thank you for the opportunity. I have just one question. In your Lighting segment, how much contribution was from the EESL segment? And how do you look at the segment going forward?

Mathew Job: In the quarter it was about, in the year it is about 40 Crores in lighting.

Sonali Salgoankar: And how do you look in terms of orders how do you expect to ramp up in EESL?

Mathew job I think it is, of course it is difficult to say how would it pan out in the next few quarters but I think we have similar kind of expectation atleast for the next quarter.

Sonali Salgoankar: And of the 40 Crores how far B2B or more would be B2C?

Shantanu Khosla: It is a combination. It was total lighting, B2B and B2C put together. I think the change in trend in EESL over the past few years has primarily been at EESL started with most of its volume on B2C really bulbs and now as they have sort of seeded bulbs in most of the geographies, which is always their stated intention the business is shifting more and more to things like street lights etc., so that shift has happening.

Sonali Salgoankar: Got it thank you.

Moderator: Thank you. We have a next question from the line of Kunal Seth from Prabhudas Lilladher. Please go ahead.

Kunal Seth: Thank you for the opportunity Sir. Just wanted to check have you set any timeline for implementing this go to market strategy across all categories and markets?

Shantanu Khosla: Like I said, it is not a onetime effort. It is a continuous, ongoing thing. I do not normally do this, but let me just refer to the 10 years, 12 years I spent in P&G. The first project we started was a go-to-market and it was still going on when I left P&G and is still going on today. Like I mentioned, as we speak, and as sort of, if you will, Phase 1 is being implemented in the North. We are moving to Phase 2 in the South. Maybe six to nine months from now, Phase 2 will move to the North, and then we will start Phase 3. So it is a never-ending journey. I guess the best way to think about go-to-market is what is the most efficient way of making our brand available wherever, whenever the consumer wants to buy it. And that is a never-ending journey. Now if you talk about temporary things like channel switch, which leads to inventory adjustments and things like that that will complete through this year.

Kunal Seth: Okay, thank you Sir.

Moderator: Ladies and gentlemen that was the last question I now hand the conference over to Ms. Renu Baid from IIFL Capital Limited for closing comments.

Renu Baid: Thank you, everyone. I would, on behalf of IIFL Capital I would like to thank the management for giving us the opportunity to host this call. An extremely informative call on the key strategies that the company is implementing. Shantanu over to you for any closing remarks!

Shantanu Khosla: Thank you, Renu. Thanks again, as always, for joining in the call. Please feel free to connect with us if you have any more questions. Our intention is to be as transparent to help you understand our business and our thinking -- while being obviously competitively what we cannot share, we cannot share. And thank you for your support there. Thank you, guys.

Moderator: Thank you very much On behalf of IIFL. This concludes this conference. Thank you for joining us ladies and gentlemen and you may now disconnect your lines.