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: July 31, 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: 53/2018-19	**Our Reference: 50/2018-19**

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 unaudited financial results for the quarter ended June 30, 2018, kindly find enclosed the transcript of the same, held on July 26, 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 Q1 FY2019 Earnings Conference Call"

July 26, 2018

ANALYST:	**MR. ANKUR SHARMA – MOTILAL OSWAL SECURITIES LIMITED**
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 Q1 FY2019 Earnings Conference Call hosted by Motilal Oswal Securities. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ankur Sharma from Motilal Oswal Securities. Thank you and over to you Sir!

Ankur Sharma: Thanks Janice. Good afternoon ladies and gentlemen and welcome to the Q1 FY2019 post results earnings call of Crompton Greaves Consumer Electricals. With us today from the management team; we have Mr. Shantanu Khosla, Managing Director, Mr. Mathew Job, Chief Executive Officer, Mr. Sandeep Batra, Chief Financial Officer and Mr. Yeshwant Rege, VP Strategy & Financial Planning. We shall begin with the opening remarks from Mr. Khosla and then open the floor to Q&A session. Over to you sir!

Shantanu Khosla: Thank you Ankur. Good afternoon everyone and thank you for joining in. This is Shantanu from our office in Mumbai. Before I start I just wanted to make two clarifications like reminders. The first is all the growth numbers I will talk in this opening remark are growth adjusted for GST accounting as we have been doing in the previous quarter and the second I just like to remind everyone though I guess you are all aware that the previously base period was relatively lower base because of the GST transition. With that let me dive straight into my opening comments. Total sales for the quarter was 1204 Crores a growth of 20% in revenue, which actually represents record sales quarter for our Company. It is the first time ever that we have sold more than 1200 Crores in a quarter. Profit performance was also strong where we delivered about 30% growth in PAT and a margin increased from previous year and previous period.

Moving on to provide some colour really around our segment performances let me start with ECD segment. ECD segment performed strongly over the past quarter with a segment value growth of 23%. This growth was driven by a core fans business. In fans as you know we introduced a new innovative Air 360 initiative and this though early days has got off to a nice strong start. In fact even in this initial period about 10% to 11% of the total fans growth was contributed by this new initiative and what we call the mass premium segment in which this initiative sits that fans sell from about Rs.1600 to Rs.2200 grew by 31%. Obviously, this initiative is still in early days and we believe it still has a lot of headroom to grow just like our anti-dust last year, but we are quite happy with the performance so far especially with the way we have been building awareness and trial with the advertising, which we invested in and a strong distribution and field promotion activities behind this very innovative launch.

The second core segment obviously is pumps. Pumps also had an extremely strong quarter and it really was driven by volume growths where our pumps volume grew at around 30% in the last quarter. Both strong performances in domestic as well as our key agricultural pump segments. Within the pumps the real success continues to be as we talked in the previous quarter new innovation of Crest Mini, which has offered people who need relatively lower head, great value proposition and that continues to drive the business though we see opportunity to keep driving this further as we move forward. Finally, on ECD business, as you are aware we did talk about starting to bring in focus on cooler business and over time geyser business as two key new areas. Of course in our cooler business it is still very early and one of our major innovations has only really gone into a test area, but as we are bringing in more focus in spite of as I am sure you are all aware extremely adverse market conditions in the cooler category over this summer over the last quarter we began to see initial green shoots of good results with our cooler business growing 21% in this quarter.

Moving on to provide some colour on our second key segment lighting. Lighting if you look at the overall numbers, which I am sure you have total value growth in lighting was 9%, which is somewhat lower than the 20% plus rate, which we have been growing this in the past. Now just to unpeel this onion, the first thing is EESL obviously has a bit of lumpiness in when we get the orders, so this particular quarter our EESL business was very low and if you net out for EESL our business in lighting actually grew 15% to 16% over the quarter. Within that also I think as you are aware we have been focusing for the last couple of years on single mindedly on a LED business because we believe that, that is the route to winning and that is the route to the future and this focus has been one for the reasons we believe for a strong growth, which has taken us to number two position in lighting. Our LED business over the past quarter grew about 40% in value terms. Obviously with the ongoing price erosion in volume terms it was even higher. Really what has happened is though LED now contributes close to 80% of the total business this quarter we saw a greater acceleration in the decay of the non-LED business, which declined by 30%.

We believe that one of the reasons that traditional lighting business deceleration has picked up is really because of the price erosion on LED because now frankly LED is in general cheaper than CFL in the market place. So that is how the overall 9% sort of get built up, but the key methods really is 78% of our business, which is LED, which is our focus area continues to grow robustly in value and even faster in volume and we continue to believe that as long as we keep doing this while focusing on innovation and cost reduction to ensure that our margin structure stay strong we will continue to win in the lighting business moving forward. Finally, I just like to make a couple of comments on go-to-market since we talked it last quarter. We are continuing to focus on improving significantly stepping up the quality, coverage and the technology backbone of our go-to-market programme. Now this is still of course again early days, but it is beginning to show positive signs of working as we had anticipated.

As you are aware the two regions where we were really working this was one was the West and then subsequently we began working it in the North. In the west after we did go through some turbulence we are now seeing healthy growth this quarter on our total business in the West where we are the most advanced in terms of pilots on new go-to-market. Even the North, which is the more challenging market given its very strong wholesale and trading buyers we have now seen that the market has stabilized. We are not seeing declines anymore in the North in fact in this third quarter under discussion our business is beginning to grow in the North also though still slower than what is growing in the rest of the regions though as the programme picks up we hope to see this continued improvement coming through there also. Finally, on go-to-market obviously one of the keys is moving our focus away from primary to secondary sales, building a data backbone and that progresses well also. We now have about 300 of our direct key customers whose data is connected into our SAP system therefore we are fully able to analyze asset, make sure they have the right product available, make sure we can develop the right programme. This is of course still an ongoing programme, but I just wanted to report back on where we work.

Next overall we think that we had a pretty solid quarter. We have seen strong growth coming in our core ECD business, our market share on fans, we continue to consolidate our leadership position, in the most recent quarter our share has grown by another one point. Our core pumps business also continues to be growing at industry leading rates. Coolers, we are beginning to see initial signs of small green shoots obviously there is a lot of work to be done and the LED focus, the cost focus and building stronger processes systems and innovation on lighting continues to seem to be the right way to go and is driving business whereas I mentioned the LED business this quarter grew 40% in value terms. With that I just like to now pause. We have enough time for any questions or clarifications any of you may have. As always, we will try and cover as many as we can. If there is anything, which is left out, please do not hesitate to contact us after this meeting. We are happy to talk more. My request is if you could sort of just limit yourself each person to one question that does make it go more efficiently. Thank you.

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

Arnab Mitra: Congratulations on a good quarter. My question is predominantly on the consumer durables business, so you seem to be recently satisfied with the pickup there; however, as you know there is a very important base effect in this quarter, which was a pre-GST quarter and if I remember correctly there was 8% to 9% decline in the last year's 1Q, so adjusted for that decline do you see this as still a good growth or is it largely driven by base asset and we will see growths come off very sharply as the base normalizes going ahead?

Shantanu Khosla: Well obviously Arnab, there is a base effect there is no doubt about that, which was created by the transition in June last year. That being said our approach to benchmarking what should be our topline performance is really all based on our original goal of growing share. What we aspire to is to make sure by growing at a rate, which is faster than market and therefore results a meaningful share growth on a sustained basis. The fact as a matter remains especially on the fans business not the total ECD business, but the fans business. We still see a market and market growths based on retail audit data, which is muted. As I mentioned earlier, the part of the fans market growth is a function of housing starts, which is correlated too, so whenever housing starts pickup we expect the market growths to pickup. For us the two really topline revenue objectives with sort of independent of market growth, number one make sure we grow strong enough to gain share. Number two make sure especially in fans we are continuing to improve our mix, which would give us that we are relatively underdeveloped in the higher price segments of the market. Even this quarter we have clearly grown share as per the retail audit data and this quarter also we are continuing to improve mix in fan with value growth ahead of volume growth.

Moderator: Thank you. We take the next question from the line of Venkatesh B from Citigroup. Please go ahead.

Venkatesh B: Sir, this is kind of a similar question to what Arnab asked, I mean if I actually look at your numbers and I go back in time and see your first quarter FY2017 profits the number was almost 93.5 Crores, now on an average the business has been growing 10%, 11% plus every quarter there has been some amount of margin expansion, now if first quarter FY2018 has not been a pre-GST quarter and you had delivered at least 15% growth the first quarter FY2018 number would have been closer to almost 104 Crores or so, now ideally in that quarter I remember you telling that you have lost around 125 Crores to 150 Crores of sales because of destocking, so if I assume that you gained that those destocking lost sales, last you grew 10% to 15% the profit this year, the profit number this year should have been closer to almost 120 Crores and the number has been around 104 Crores, so can we say that this entire thing the fact that the profit number is not 120 Crores can be attributed to the fact that the lighting business has not grown commensurate and also margins have contracted or you would attribute some element of that to the consumer durable segment also?

Shantanu Khosla: Let me address it with the last point you raised. If you look back over our performance over the few previous quarters really what was happening was our lighting business was growing low 20%, our ECD business was growing 10% and then you have sort of getting the company average. I think the difference is what has happened this time especially for the ECD business and I think this driven largely by the innovations in both fans and pumps plus go-to-market work is what you are seeing is the ECD business growth rates margin has significantly improved versus trend. The lighting I think is a specific issue, which we believe is something, which we can resolve and that is driven by the fact that while the LED business is continuing to grow it is being dragged down by two factors in this period, EESL being close to zero and also the fact that we do have a conventional business, which are

declining fast. So it is good if you look at these trends my suggestion would be to try and look at them separately by category as opposed to clubbing it all together.

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

Aditya Bhartia: Sir, you mentioned that retail audit data on the ECD side is speaking about muted growth for the market, but for the last several quarters when we look at some of the listed peers they have been growing at a fairly brisk space, so how should we reconcile this, is it that inventory in the retail channel has started rising after GST implementation?

Shantanu Khosla: Well just one clarification. This data is not with regards to ECD. This data for retail audit is regard to fans and I think you know as we look at the business we need to recognize that different companies have different things in ECD and it is not necessary that the total ECD number is exactly the same as the total fans number that is the first thing. So, the fan strength as we look at and what we understand from our vendors of the retail audit who also supply the same data to other key competitors for fans is the trends of that data seem reasonably consistent with the company sales over time not necessarily on a month-to-month basis, but I think what is important to realize is ECD is not fans neither is it for us nor is it for everyone else. For us & yes for most people fans is a reasonable part of ECD, but is definitely not all.

Moderator: Thank you. We take the next question from the line of Renu Baid from IIFL Wealth. Please go ahead.

Renu Baid: Thank you so much for the opportunity. One question from my end, if you can help us understand little more on the GTM we did mention broadly with respect to the west and the northern market, but how would this look in terms of coverage of the key towns that we are and how are we expecting it to spread across over the next 12 to 18 months at least for the first level of GTM across the ECD segment and along with this the ad spent number for the quarter? That is it from my side.

Shantanu Khosla: Sorry, Renu last thing I did not hear what number for the quarter?

Renu Baid: The advertisement spent for the quarter, actually that was a second question.

Shantanu Khosla: As far as the go-to-market expansion goes within the next 12 to 18 months we would expect to cover about 75% to 80% of our existing business. Now to give you a reference of how much is in the programme already this quarter. West where we started before the north. The north was still very preliminary. In the west currently about 20% to 25% of our business in the west is under this model and what we are seeing as we run the pilots is areas, which are under this model are growing

significantly ahead of areas, which are not under this model. In terms of advertising spend in the quarter was 24 Crores.

Renu Baid: But we are confident that the 10% to 15% growth will be sustained even as the GTM is rolled out pan India in the next 12 to 18 months?

Shantanu Khosla: That is definitely our objective and like I said the way we are approaching this is wherever you implement this there is a three to six months sort of dip and then pickup, so which is why we are going sequentially so we manage the total company business.

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

Gunjan Prithyani: Sir, thanks for taking my question. I just had followup on the lighting business, this EESL business seems to be negligible for the peers as well this quarter is this that EESL is no longer interfering on the lighting because the purpose of driving down the prices and the penetration is largely achieved and also how long do you think this price erosion will continue in this segment because it has been almost to one-and-a-half years now?

Mathew Job: I think of course in the last quarter it is right the EESL procurements for the information that we have has been much lower than the previous quarter, but having said that even in LED bulbs, which is what they started with first there is still significant tenders that have been floated by EESL, which had to be supplied over the next six to nine months, so I think that while overall volumes have dropped it does not come to a complete standstill and we expect to seek significant level of EESL activity in lighting to continue for the next year to a couple of years that is our expectation.

Shantanu Khosla: On the price erosion what happened is the price erosion first happened on bulbs. The price erosion began relatively later on battens and panels and what we are seeing now is also the price erosion also happening in the B2B segment. Now that being said the price erosion is being at least by us matched by corresponding cost savings and cost reduction. Even in this quarter where there was further price erosion our LED gross margins actually went up slightly, so the real only answer to when will price erosion stop price erosion will stop when all costs have been eliminated. If you were to ask me to make a guess and it is no more than a guess. I would think it would continue for the next 12 to 18 months at least.

Moderator: Thank you. We take the next question from the line of Inderjeet Singh Bhatia from Macquarie. Please go ahead.

Inderjeet Singh Bhatia: Thanks for the opportunity. In the context of you talking about 10% to 15% kind of a growth how do you see the new products that we likely to introduce and they kind of playing a role into our topline growth would that be additional or do you think we need to kind of get these coolers and water heaters and may be other products to achieve that number?

Shantanu Khosla: First, the initiatives on our existing business we expect them to be a key contributor to continue growth on our core businesses as they have been in the past. Anti-dust was a key contributor to our fans growth. Air 360 is already contributing to our fans growth. Crest Mini has been a key contributor to our growth similarly innovations on lighting. The purely incremental which we do not have today will be the innovations as we bring and expand them in segments such as coolers and geysers. That will drive incremental growth on top.

Inderjeet Singh Bhatia: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir, thanks a lot for taking my question. As you spoke about the cooler business, which give 20% for you I understand this would be a base effect, but I just wanted to understand our strategy in this particular segment given that we are almost at the end of the summer season, so what are we looking at doing in the cooler business for the rest of the year and any other product introduction that is being planned for the rest of the year, which could contribute to the ECD business for us?

Shantanu Khosla: Well, I cannot talk specifics on planned introduction. Let me say simply that yes we do have planned introductions, which will help us continue to grow and accelerate growth. Obviously, coolers referring to the first part of your question, the season is over so really the focus on coolers and the programs to really accelerate coolers will begin as we get into next summer. Getting into winter obviously the focus in the market growth and the opportunity is in the geyser segment.

Pulkit Patni: And the geyser segment now we are ready to compete, or you think I mean when we get into the winter this time around our product portfolio, etc., we are fully equipped to take on the competition?

Shantanu Khosla: We believe so.

Moderator: Thank you. We take the next question from the line of Balvinder Singh from Canara HSBC Insurance. Please go ahead.

Balvinder Singh: Sir, thanks for the opportunity. If you can talk a bit about the pumps business because a couple of quarters back we had lost some market share because of competition in the lower price pump, so how

are we positioned now after the launch of Crest Mini and what is the kind of market share that we have recouped?

Shantanu Khosla: Over the last two quarters including this quarter we have significantly accelerated our growth in pumps. A large part of this acceleration in growth has come behind a very successful introduction after of Crest Mini. We are continuing to drive Crest Mini because there are still lots of opportunities in terms of further growing awareness trial and distribution. As we look at the reported numbers of pump competitors clearly, we are growing significantly faster than most of our competition over the last two quarters. Importantly this growth interest, which has been driven by Crest Mini, is also profitable growth so while it is lower priced we have engineered and designed the product for the appropriate performance, so we are not compromising on profitability growth as we are getting the topline growth on pumps.

Moderator: Thank you. We take the next question from the line of Abhineetanand from SBICAP Securities. Please go ahead.

Abhineetanand: Just on fans what is the proportion of premium fans on the overall fans as of now?

Shantanu Khosla: About 20%, but in this I just want to make one point clear because different people use different clarifications. We have defined premium fans as fans, which is Rs.2500 and more expensive. Now there is also another segment below that let me call this mass premium, which is about Rs.1500, Rs.1600 to Rs.2200. Air 360 actually falls in this segment. Growth of this second segment also leads to improvement in mix because it is moving people up from the mid to low tier to fans, which cost a little under Rs.2000 so both these segments are important and mix improvement is coming from disproportionate growth in both these segments.

Moderator: Thank you. We take the next question from the line of Naveen Trivedi from HDFC Securities. Please go ahead.

Naveen Trivedi: You and Havells both are gaining market share in the fan segment, is it possible for you to share, which all brands are losing the share during the last few quarters and the second question is if you can share how much is mass premium price Rs.1500 to Rs.2200 how much that contributes to you?

Shantanu Khosla: On your first one unfortunately I cannot share because that is proprietary information, which we purchase from the retail audit agency and they own the information, so you will have to contact them and ask them if they are willing to share the data with you. Your second question that mass segment contributes about 60% of our business.

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

Achal Lohade: What I wanted to ask is as you said about 20% of our fans business from premium and about 60% from mass premium how would that segmentation at the industry level according to your estimate Sir?

Mathew Job: For the market as a whole what we called the mass premium would be about 50% and the premium would be anyway between 10% to 12%.

Achal Lohade: Understood and just one data point question I see legal and professional charges of about Rs.55 Crores in FY2018 in the annual report and about Rs.53 Crores in the last year FY2017, could you please elaborate is it pertaining to ESOP cost or something else?

Sandeep Batra: ESOP cost is shown as part of manpower cost, legal and professional, some would be legal fees and some of it is whatever consultants that we use that is clubbed under legal and profession. For example, we have been running a project for the last 18 months working closely with BCG to help work our entire cost reduction program so those kind of costs would be included.

Achal Lohade: So overall sustain like even in the coming year or that could see a reduction in FY2019 and 2020?

Sandeep Batra: I think given the kind of initiatives that we have underway at least for the next 12 to 18 months we see visibility of similar cost.

Moderator: Thank you. We take the next question from the line of Chetan Vadia from VKL. Please go ahead.

Chetan Vadia: Sir my question is on the lighting business, this has been growth year for most of the competitors as well so how do we differentiate product, difference in terms of durability and in terms of pricing first, secondly advertising budget for FY2019 and what would be the target segment for that and including lighting what will be the revenue contribution from the new products for FY2019 in terms of percentage?

Shantanu Khosla: Total marketing spend would be about Rs.100 Crores across the Company. Second is what is the first question was lighting, how we are going to differentiate. We are going to differentiate in lighting by identifying just like we have done in fans. By identified consumer meaningful needs developing innovation, which better meet those needs. Like I said before really what we have been doing up till now is sort of establishing the base on LED. Now we have got a program and over time you will see them revealed in the market place of meaningful innovative products for example this month itself we are introducing the first five star LED bulbs so similarly there will be a number of initiatives, but that

is the way we planned to differentiate ourselves. The second way we plan to differentiate ourselves is with leveraging good market program, superior in-store availability built up over time. We do not plan to differentiate ourselves by saying we are going to be the cheapest priced bulb no that is not our intention, that is not what Crompton stands for.

Moderator: Thank you. We take the next question from the line of Harshit Kapadia from Elara Capital. Please go ahead.

Harshit Kapadia: I just have one question. We have seen the last two innovations that you did Air 360 as well as Mini Crest pump was largely in mass segment, so there are fair understanding that more innovation that you will be doing across the category will be largely towards mass segment or will you also have more focus on premium segment because that should drive your margins is my understanding?

Shantanu Khosla: Well our focus will be let me say mass premium, we do not want to do a lot of innovation in very niche segments because I do not believe that actually drives margin because you end up with very small volumes nor do we want to do a lot of innovations at the low end of the market, so the best way to think of where we will do our innovations like frankly even anti-dust is in the top half of the market, not in the top 2% of the market.

Harshit Kapadia: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Srinaji Karlekar from HSBC Securities. Please go ahead.

Srinaji Karlekar: Sir my question is really on the fan segment growth if you leave apart the weak summer season part and just look at the demand coming from the new housing segment has that changed for positively or is it unchanged if you compare a year ago, I just want to know that?

Shantanu Khosla: I think largely it is unchanged because I think our growth is coming from one share gain and two improving mix.

Srinaji Karlekar: That is it from my side.

Moderator: Thank you. We take the next question is from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

Niket Shah: I had two questions, one is on the digitization part how are you using that in your business and what kind of benefits are you seeing whether it is to do with your sales force or communicating with your dealer distribution channel and within lighting what kind of mix do we have as far as fixture is

concerned because there is substantial margin difference between you and your competition, so if you can just help me understand that?

Shantanu Khosla: On digitization there are few areas where we chosen to really focus on digitization at this stage. Our first focus on digitization is our entire Go to market and we are fully engaged in driving that. There are number of levels, which we are doing that one is as I mentioned earlier in my opening remarks driving data connect between our key customers and us, so we can naturally monitor, analyze and plan on the basis of the secondary sales. The second part of this with our customers is to establish and expand a dealer portal, which improves the ability of our customers to communicate with us. Third is frontline sales force, which improves the ability of our frontline distributor sales people to deliver high quality cost with strong productivity in store. This is the program, which we are implementing step by step obviously it does not happen overnight. The second big area, which we are working on digitization, is our entire product supply area to make sure that we automate and systematize that from literally the customer shares back to our vendor. The third big area, which we are working on digitization at this stage is our entire people management making sure that all our people processes career development training, appraisals, succession planning, is all managed on the digital platform handling, so these are the three big areas, which we are working now. It is a lot of work and is not an overnight program, but each step of the program will give us gains and we believe that once this is built and fully operational we will be in a completely different level of capability across the border as an organization.

Mathew Job: I think with respect to your question on lighting, now let us take LED lighting out of LED lighting 70% of our sales is LED fixtures I think you need to be little careful while comparing the margin structures of different organizations of lighting because some companies report EESL separately, some club it along with the total then there is a completely different mix situation in terms of LED lighting versus conventional lighting companies like Crompton has significantly large conventional lighting base, which is eroding quickly not only in terms of topline, but also losing profitability, so I think if I look at the LED business per se I think if you see the last few quarters actually we have been improving our profitability on a consistent basis.

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

Anshuman Dev: Sir you mentioned about the GTM penetration in the West, which is around 20% to 25% as of now, could you share the similar number for North and incrementally what has been the gain in this region compared to Q4, in the last Q4 we have some impact of GTM in our results, so what has been the incremental market share under GTM from Q4 to Q1 if you could say that?

Shantanu Khosla: Firstly, in the North it is only just beginning we are in the process of appointing distributors, training distributors, putting the systems so it is relatively earlier days in the North. Secondly the West was declining and now it is growing in line with our other strong regions. The North was declining, it is now growing slightly.

Anshuman Dev: Thank you.

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

Arnab Mitra: Just on the GTM change again just for my clarity so what you are saying is that you have covered some part of West and early in North; however, you did say that the growth has improved versus last quarter so if so much of balance to do is left would the disruption actually not again happen in the next two to three quarters, would we have a phase when things improve and again there is a dip because of destocking as you rollout the pilots into different areas of these regions?

Shantanu Khosla: We will try at least our objective is to try and manage it in a way where we balance so we do not go too broad so we have at one point in time that is part of our principles or sort of the schedule of expansion.

Arnab Mitra: Sure but then last quarter the impact in the North was so substantial despite it being in a very small part of the North, I am just trying to reconcile those two things?

Shantanu Khosla: Now what happened in the North is before you established a GTM you have to make sure that you begin to establish price transparency and consistent pricing you cannot do that mostly in pocket, it is like what we did on South in lighting two years ago. So North because of the nature of the region is relatively more of what relatively more trading wholesale dependent. Therefore the short-term impact on the North of beginning to establish these transparent consistent pricing was more. Now as the work begins or building the distributors capability you start getting the positive.

Moderator: Thank you. We take the next question from the line of Nishit Jalan from Kotak Securities. Please go ahead.

Nishit Jalan: My question is one on the lighting segment is there any sort of seasonality because if I look at for the last two to three years the reported numbers that we have, the first quarter the margin always tends to come down so just wanted to understand that and secondly A&P target you told is about Rs.100 Crores if I look at your annual report last year your A&P spend was about Rs.106 Crores, so are you looking at a flattish sort of a budget on the A&P side despite looking topline growth?

Shantanu Khosla: Yes more or less, plus or minus few Crores this way that way. Now that being said the way we hope to achieve that is to get a little more efficient on the fee part because as we get more data and as we get a better understanding through the systems we start spending more money behind programs, which we know more effective in terms of return.

Moderator: Sure thank you. We take the next question from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

Niket Shah: Just wanted to know you mentioned earlier that in areas where you did go-to-market strategy, you saw a dip and then you saw the growth coming back, can you quantify areas where these things have kind of clearly got stabilized, what is the kind of growth that you are seeing on Y-o-Y basis?

Mathew Job: If you take example for where we started first, which was lighting in South we started 18 months ago, we saw a dip for about quarter and then we had growth and excess of 20% a year later so while it might or might not playing out exactly the same in every market, even what Shantanu said in West where we have implemented go-to-market in the 25% of the region, the growth have been significantly better than the rest, which of course the first three months kind of a period where you have a little bit of a pain.

Niket Shah: But this 20% is on lower base or is on like-to-like?

Mathew Job: I think 18 months later so obviously all the low base effect has gone by the time so we have seen the kind of growth.

Shantanu Khosla: It is difficult to put a hard number and that is because the actual incremental will vary based on the category, based on the specific distributors capability, based on the development in a particular town or city, but I do not think we have any doubt that is improving our service and coverage of retailers will add incremental business. It happens whenever you do that and not half a point kind of thing meaningful increase.

Moderator: Thank you. We take the next question from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

Bhargav Buddhadev: Just wanted to check one thing that since the time we have launched GTM there is sort of increase in capital employed in the ECD business as on March 2018 the debtors have increased about 82 odd Crores and even in 1Q we see sort of capital employed in the ECD business going up, any particular reason for this?

Sandeep Batra: The capital employed as you rightly observed has gone up, but that has no connection with the GTM initiatives. What we have done is that we have got a fair amount of surplus cash so we have used that surplus cash to tactically pay some of our vendor bills in advance wherein the kind of discounts that we have got on the early payment much higher than what we would have got and we invested that cash in debt fund. So it is simple arbitrage that we have done and that surplus cash that we would have had would have shown us unallocable capital employed, but when you used that to reduce your creditor, the capital employed in the segment would go up so it is a simple financial arbitrage.

Moderator: Thank you. We take the next question from the line of Mohit Pandey from Citigroup. Please go ahead.

Mohit Pandey: Sir my question is something like this in the context of the GTM program how has your relationship with wholesalers and say dealers changed since the program has been launched, is it that the latter has become much more important than the formal now say compared to the program was not launched?

Shantanu Khosla: I just want to make sure I want to clarify one thing so there is no misunderstanding. Doing GTM program does not mean wholesalers are not important, wholesalers will stay and they will always be a critical channel. If I go back to my old FMCG business even with the wonderful coverage and distributor that FMCG Companies have very large percentage of business goes through wholesale. What is the change in relationship with all our customers, distributors, large retailers or wholesalers is we want to move from a transactional relationship to a more long-term partnership kind of relationship where there is value both for us and there is value for the channel partner that is the basic philosophy if you will transition. The wholesaler has a critical role even for a Company for example like Hindustan Lever 30% to 40% of its business goes through wholesalers. The reason wholesaler has a critical role is in a country like India there will always be a large amount of small retail stores where it is more efficient for the supply to go through the wholesaler than it is for the supply to go through a distributor. What this does is it does stop is the wholesaler who is bargaining on price so he can move goods from Delhi to Vijayawada, which is simply price arbitrage happening, but not in the interest of any customer or any consumer, but very clear the wholesale is an important channel with a critical role just like modern trade is an important channel with a critical role.

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

Anshuman Dev: I had one question continued question with the GTM, so if I remember we were planning to implement at least in the first phase GTM by Q4 FY2019 so is the timeline remains the same on the next 12 to 18 months implies that it would go may be FY2020 and also in lighting by when we will have almost 90% to 95% kind of LED if you can share that?

Shantanu Khosla: On the first we have not really changed our target timings it is 12 to 18 months, we would like a large percentage of our business to be covered in the new model, but to be clear at its stage will be criteria driven more than time driven, a quarter this way that way is not that important is making so we have the right robust network. When will we move now from 78% LED to 90% LED well I think we moved from 65% to 78% in 12 months, so let us say another 12 to 18 months.

Moderator: We take the next question from the line of Naveen Trivedi from HDFC Securities. Please go ahead.

Naveen Trivedi: Sir can you share the like-to-like lighting EBIT margin for the quarter?

Shantanu Khosla: To which period?

Naveen Trivedi: Q1 FY2019 versus Q1FY2018 since like this quarter we could not have the EESL number so if we remove the EESL number?

Shantanu Khosla: If you remove the EESL.

Sandeep Batra: We do not have numbers without EESL, we have the topline number without EESL, but the EBIT margin we do not track at customer level, so overall numbers are there with you last year was 8.6% and now it is 6.7%.

Moderator: Sure. Thank you very much. Well ladies and gentlemen that seemed to be the last question for today. I would now like to hand the conference over to the management for their closing comments.

Shantanu Khosla: Thank you again for the interest and joining the call. Hopefully we were able to help and clarify, but because that is like I am always said is our intention to be as transparent as we can and make sure you understand the business to whatever level you need to. If you have any more questions please do not hesitate we are available just contact through Yeshwant at any time and we are more than happy to talk more. Thanks so much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Motilal Oswal Securities we conclude today's conference. Thank you all for joining us. You may disconnect your lines now.