Crompton

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Date: May 23, 2016

Our Reference: 08/2016 - 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

Dear Sir/Madam,

Sub: **Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Earnings Call**

With reference to our earlier intimation regarding the earnings call on audited financial results for the quarter/year ended March 31, 2016, kindly find enclosed the transcript of the same, held on May 19, 2016.

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

Thanking you,
For and behalf of Crompton Greaves Consumer Electricals Limited

Pragya Sahal Kaul
Company Secretary and Compliance Officer

Encl: a/a

Crompton

"Crompton Greaves Consumer Electricals Limited
Q4 FY 2016 Earnings Conference Call"
May 19, 2016

Crompton

kotak® Securities

ANALYST: **MR. HARISH BIHANI - KOTAK SECURITIES**

MANAGEMENT: **MR. SHANTANU KHOSLA - MANAGING DIRECTOR - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**
MR. MATHEW JOB - CHIEF EXECUTIVE OFFICER- CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED
MR. SANDEEP BATRA - CHIEF FINANCIAL OFFICER- CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED
MR. YESHWANT REGE - VP, STRATEGY AND FINANCIAL PLANNING-CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

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Moderator: Good morning ladies and gentlemen, welcome to Crompton Greaves Consumer Electricals Q4 FY2016 earnings conference call hosted by Kotak Securities Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask the questions after the briefing concludes. Should you need assistance during the conference call please signal for 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 Mr. Harish Bihani. Thank you and over to you Sir!

Harish Bihani: Good morning. Thank you for joining the call. We have with us the senior management of Crompton Greaves Consumer Electricals led by Mr. Shantanu Khosla – Managing Director, Mr. Mathew Job – Chief Executive Officer, Mr. Sandeep Batra – Chief Financial Officer and Mr. Yeshwant Rege – VP Strategy and Financial Planning. I will now hand over the call to Mr. Khosla for his opening remarks post which we will open the floor for Q&A. Over to you Sir!

Shantanu Khosla: Thank you Harish. Good morning everyone. This is Shantanu here talking from our office in Mumbai. With me is Mathew, Sandeep and Yeshwant. First of all, I thank you so much for joining us and today we really appreciate the opportunity to share some perspectives and address any questions you may have.

I will briefly try and provide some overall perspective of our quarter and also full year which actually is six months of operation results and we will try and keep most of the time open for questions. We are happy to address obviously any questions you may have and if there is something which we cannot answer in the call due to lack of time, please feel free to contact Yeshwant immediately after the call. He is available to address any more details any of you may have.

First and foremost as most of you aware, post the completion of this quarter, we have completed our listing and are listed on the NSE and BSE so that is the critical step obviously in the transition and demerger process which is now complete.

We are quite satisfied with our results for the fourth quarter and also the half year since October 1 since we have been operational. I do not want to spend too much time just repeating numbers which we have already posted on the website so I would just like to start with adding a little bit of perspective on our strategy and how we are seeing it developing before I move further. Like I talked in my last call with all of you, we have set ourselves a goal of becoming the fastest growing consumer electricals company in India whilst creating value for all our stakeholders. I am pleased to report that we have taken some initial steps in this direction.

Our focus as we have talked is really first to drive our core; make sure that the real core of the business of Crompton is strong, healthy and growing. In this, on fans, we have had good success over this period. We continue to grow market share in this important category of ours. In fact our other key

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focus in this area which is critical to building the value and strength with the consumer is to drive the premium segment of fans and we are seeing good initial results in that area.

We are also seeing some encouraging progress on our other key focus area of LED bulbs where we are seeing significant growth on LED bulbs where LED bulbs for the quarter was up 129% and for the year 280Premium ceiling fans actually grew 54% for the quarter and 35% for the year. So we are seeing good progress as far as growing or core goes.

Also one of the key levers which we have talked about is driving our brand and investing in the equity of the brand. Now we have commenced that as some of you may have seen we are now advertising the Crompton brand after many, many years of not being on air, our new campaign; however, to clarify went on air only after the completion essentially of the current quarter when we started advertising on IPL so the advertising impact is not reflected at all in our numbers yet but we are positive on the importance of this strategy.

We are continuing to look at innovation, it is a key focus area of ours and we are beginning to ramp up innovation on our key brands. For example, we have recently launched a very consumer meaningful innovation on fans where we have introduced an Avancer E-sense variant. Essentially what it does is it automatically senses the temperature in the room and adjusts the speed of the fan automatically based on the temperature. If the temperature goes down for example late at night the fan speed automatically slows.

Driving our go-to-market structure and program is also a key part of our strategic choices. We have commenced programs. Our objective is to both increase our availability and distribution and also improve our in-shop presence and quality of distribution while we do this. This obviously is a journey and it will take us some time but we have commenced the process with certain pilot markets and pilot categories.

Operation of cost and cost efficiencies continue to be a critical focus area of ours. In fact as most you would have done if you look at our Q3 numbers you can see a improvement in this area. This improvement is being driven by a combination of three things which really are our choices. First of course as is impacting all of industry we are getting benefits of commodity. Secondly we are also finding and driving with programs such as premium fans, LED lights, an improvement in mix and finally we are also driving a series of cost reduction projects and efficiency projects which we have identified, laid out, have a plan against and are tracking. This is important for us as moving forward it is the savings which we can continue to generate in this area which will ensure that we have sufficiency to invest in our marketing and distribution programs without being margin diluted.

Finally last and in no way the least are critical focus area which we talked about was building the organization, building capability, driving the right structures, now that we have completed the



organizational transformation post the demerger we are focused on building capability. Getting the right skills in the right places, getting the right structures in the right places, this is again obviously an ongoing journey and we will keep doing this.

I just wanted to comment on a couple of areas and then I will be happy to floor open to questions. One is I wanted to clarify again though Sandeep had clarified this in the last conference call and this is if you look at our press release where we talked of our revenue up by 10.6% and the operating profit up by 21.2%, I just wanted to clarify again how we are defining operating profit at this point in time and why we are doing so.

We are trying to provide all of you for the sake of transparency a meaningful sensible way to look a trend versus the base period. Obviously, the current base period the company did not exists so what we have done and the way we have defined operating profit is that we are looking at the PBIT of Crompton less corporate expenses and one time items. We are doing this to provide you an easy way to look at the balance sheet and the public results of the Crompton Greaves segment for the previous period and this we believe is the best way to compare the results in the absence of a clear base period, obviously overtime over the next few quarters I will be moving to a base period which exists for the company we will report it and talk about it as a perspective directly because the numbers will be comparable.

The second area I just wanted to comment on is market share. Traditionally the industry has reported and talked about shipment market share, this essentially has been computed by looking at industry data which provides a total industry sales and then computing the share by looking at our own shipments. As part of the focus of making Crompton a stronger consumer facing organization we are now looking at and talking about retail audit market share. We believe that retail audit market share is a better representation of the relative strength of the businesses in our industry. We are now partnered with a retail audit firm, which is a similar to Nielsen who provides us data similar to Nielsen from market share for us and across the industry, and we will be using this consumption market share in the future.

Finally, I just like to say that initial results are giving us initial confidence that our strategic choices that we have taken and shared with you are right and really our focus as an organization is now to continue to execute against these strategic choices with excellence.

With that I conclude my opening comments and we are happy to take any more detailed questions any of you may have.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Renu Baid from IIFL. Please go ahead.

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Renu Baid: Good morning everyone. Congratulations for a good set of results. Sir my first question is you did discuss briefly some points on the performance of fans and LED side will it be possible for you to share a little more insight with respect to overall as a going concern how has the consumer business performed with respect to these particular categories fans, lighting, appliances and pumps anymore numbers or picture in terms of Y-o-Y growth terms how are the performance been?

Shantanu Khosla: Renu, what I am happy to share is how the business is done by the two reported segments lighting and consumer electricals. For the six months period lighting in total is up 9% and consumer electricals is up 12%. For the quarter lighting in total is up 7% and the consumer electrical segment is up 12%. Now just to provide a little bit of perspective on these numbers starting with lighting, like all of you know lighting is going through a significant transformation, a good transformation in our opinion. What is happening is the traditional lighting segments of CFL and traditional old style bulbs is declining. It is declining not just for us in fact it is declining even faster for the total industry. CFL specifically is also declining not just in volume but it is declining even more in value as current incumbents are reducing the price of CFL. The growth is happening in LED and like I had mentioned earlier we are participating and in some segments leading that growth. Our strategic strives during this transformation is to focus on the future, focus on building leadership positions in the segment of lighting which is better for the consumer and also for all of us given its better energy profile. So we are very strictly focused on LED, driving LED like I said for the year our LED bulbs had grown at close to tripled for the three month period our LED bulbs have doubled. We think this is the right direction. Overall lighting we believe quarter-on-quarter will be a little choppy and that is because the industry is going through this transition right now which is quite a fast transformation. On our other segment where we growing 12%, we believe this is market leading growth. We have on our two key parts of this business, pumps and fans. Growth, which is ahead based on the data, we have of market. We also believe that a lot of our growth especially as I mentioned is being driven by the focus, which we had brought in on premium value added fans for the consumer.

Renu Baid: Okay, but the approximate share of fans in our portfolio would be still about 40%-45% or it would have changed in the last six to nine months?

Shantanu Khosla: It is still about the same and that is because we are continuing to drive growth in fans and this really links back to one of our choices which I talked about which is focus on the core while we will drive new businesses like LED it is absolutely critical that we also continue to drive market leading growth on the fans business and our pumps business.

Renu Baid: The second question Sir is a little more on the advertising and the operational efficiencies, would it be possible to quantify or highlight what have been the programs and what kind of benefits we are expecting to derive from these cost initiatives which would be ploughed back for the advertising and promotion spend?



Shantanu Khosla: We will continue to drive for cost efficiencies as we stated in a choice set, the savings we generate from these efficiencies will be used on a sustained basis to invest behind our stated strategic choices. The strategic choices if you stated which we will invest behind are building brand equity, driving our go-to-market programs and innovation.

Renu Baid: Right, but would you like to quantify any of the elements of the four to five key strategic areas which were lined up in the last six months overall for the company, so have we quantified some of these long term strategic drivers into some quantifiable targets for three years to five years?

Shantanu Khosla: The answer is yes. We have quantified them into targets not only five years, four years three years but also one month two months three months one year and can we share then, the answer is obviously, no.

Renu Baid: Sir just one question if I can also add on further is since I know in six months you have not announced any particular dividend but overall what is the company's policy on dividend payout and debt reduction in the next couple of years?

Shantanu Khosla: I just hand it over to Sandeep to take you through that.

Sandeep Batra: So the board has not yet formalized any dividend policy, obviously in view of the various transitions that are going on in the company. I think once we have a properly and a fully constituted board at that time they will take the call on what would be the dividend approach for the company. Specifically this year the board did not give dividend in view of the need to conserve cash giving a) the various transitional process that are going through and likely refinancing of the long term debt that we have got. We are in the process of seeking approval from shareholders to refinance that through a bond issuance..

Renu Baid: Thank you so much Sir and all the best.

Moderator: Thank you. The next question is from the line of Harish Bihani from Kotak Securities. Please go ahead.

Harish Bihani: Sir is it possible to share the EESL orders as a proportion of total lighting business during the year and how margin dilutive are these orders also what would be the impact on growth per se in this particular industry given that the governments target to distribute 200 million LED per annum for the next two years? A related question is that government has also initiated the EESL fans and pumps scheme how do we better understand the impact of these schemes on the industry in the medium term?

Shantanu Khosla: Let me start with the first part of your question. In the quarter EESL sale were about 9% of total Q4 sales which is about 27 Crores, which is a growth of about 50%. Importantly like I had mentioned earlier our total LED business grew almost double in this quarter, so it is not that the EESL is growing

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but actually the rest side, the retail, the consumer and are other B2B partnerships LED is growing even faster. Like I said we fully support the governments focus on driving energy efficiency and in fact we think program such as EESL first on lighting LED and as you mentioned to come in fans are really good programs, they are good not just for the country in terms of energy savings but we believe that they are also really good in accelerating the conversion to see what is a much better solution for the consumer. So I think it is a good thing and obviously when the program first started I think people settled into the program and asked is it good is it bad etc., but now this program of lighting has been running for a while. We do not see this program as a margin dilutive. We see it almost like here is another strong distribution channel to get our brands and our superior products into the hands of the consumer. The government has got a large ambitious program on this but believe you and me in a country like India there is so much scope for driving penetration usership and trial that every channel regular retail, wholesale, B2B, e-commerce, the government all are important channels which will help work not in conflict but in my opinion together. Fans, I think is also a good program we are beginning to engage in this program. I think together we are working with the government and we got some interesting solutions for providing high quality air-flow at lower power consumption and these solutions ultimately will be a good for all consumers good for the industry good for our business if we can read it and really for me its not competition it is not a threat its not an issue it is really a partnership.

Harish Biyani: So just to clarify, so what you are initially saying is that only 9% of the sales in this particular quarter came from EESL and the overall margin decline we might have seen may be also because of some of the other areas?

Shantanu Khosla: Yes, EESL this quarter was 9% of the lighting business and a growth of 50%. The margin decline, which we saw this quarter was not attributable to EESL. Like I mentioned what is happening in the market, which is why it is very volatile in the mid-term, is that there is a significant decline happening in the industry in the conventional bulbs. Also because of this decline there is downward pressure on pricing in the industry so most of the margin decline is really driven by that and not by LED and LED per se.

Harish Bihani: Second question is on the geographical distribution reach for the company if you can highlight some quantitative as well as qualitative comments over here and which particular geographies do we need to put in more impetus in the coming years so that we grow higher than the market? Thanks.

Shantanu Khosla: The last bit is very simple to answer, all geographies. All geographies have an opportunity to dive in this and it does not matter whether it is in interior Odisha or it is in Gurgoan or Colaba in Bombay. We had an opportunity and I think it is going to be a process of selectively expanding prudently and proving the models as we move forward. So it will be a process, we are continuing to grow and we hope our plans will keep driving that growth and distribution. The only other factor I would like to

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mention is it is not just about availability it is also about the quality of the availability. How do you show up in store? Do you make sure that the right variants are available for that particular store, etc?

Harish Bihani: Thank you so much and all the very best.

Moderator: Thank you. The next question is from the line of Indrajeet Singh from Macquaire Group. Please go ahead.

Indrajeet Singh: My first question is on if I look at the margin profile of the company now if I look at Q4 numbers and then compare with the six month numbers there is a volatility in margins and so how do you want us to kind of look that what is the right sustainable number, for example is 15.5% margin in the consumer appliances for six months is that a right number to work with or 18% margin that we saw in Q4 are somewhere in between and similarly any comment on the lighting side?

Shantanu Khosla: I just add some overall perspective then I will ask Sandeep to chip in. In overall terms our business when you pull it out together tends to have a seasonality and the seasonality is such that typically Q4 and Q1 so from January to June tends to be the stronger part of the business and from July to December tends to be the weaker part of the business. This is driven by different types of seasonality, fans, pumps, coolers etc., therefore this seasonality also drives some amount of equivalent seasonality in margins. So we tend to have our highest margins in the first half of the calendar year and we tend to have our lowest margins in the second half of the calendar year. Now beyond that the only thing to mention is we will of course strive to meet on the sustained basis our objective which is to grow faster on the topline in the market and to grow our profitability at least in line if not higher than topline. Sandeep anything to add?

Sandeep Batra: I think you summed it up very well and if you look at our six months numbers , the third quarter is much smaller in size compared to the fourth quarter and therefore margins in the fourth quarter certainly will be higher. So one way for you to look at is to look at the H2 number as slightly more representative than the fourth quarter number.

Indrajeet Singh: My second question is on if I look at the margins specifically in the lighting side now given that the disruption which is currently happening in the market till what time do you think this can continue or the prices continue to fall in the conventional lighting space by what time do you think this will kind of stabilize, so any kind of a broad indication on that?

Shantanu Khosla: That is like kind of asking me when India will have 80% of its cars electric. We know it is happening we know that is what India desires, when we benchmark versus other countries it seems that the initial stage it is happening a little faster and even some developed countries so it is very difficult to forecast absolutely whether this is going to take two years three years five years I do not know what it means for us is two things, one is we must be nimble and adaptable because it is not only how fast this is

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LED is growing and replacing original but also the LED technology itself is changing every six months in terms of the capability and the technology of this. So we have to look at this whole lighting as an opportunity where the people who are able to understand the consumer the market transformation and be the most adaptable to better meet their needs will be the ones who win. I expect at least, if I look forward for the next 12 to 18 months there will be volatility especially if you look on a quarter-by-quarter basis because it is a function of how this change happens how our investments pan out when we have to put more capacity to meet market demand etc.

Moderator: Thank you. The next question is from the line of Venkatesh from Citi Group. Please go ahead.

Venkatesh: My first question is a very simple question, if you see the first half of the year is whatever you reported half-year you have done profits of around approximately around 110 Crores or so if I extrapolate it for the full year it would be more than 200 Crores assuming that 200 Crores profits is what you will also generate as cash flow from operations how do you intend to position it between these three parameters that is debt reduction next year capex and dividends if you could highlight this, I understand on the dividend you have not taken a call but do you intend to repay debt and how much capex do you intend to do next year?

Sandeep Batra: Obviously whatever we will do with the cash in terms of dividend is still open for determination by the board. Capex will certainly not be very high value. It is not a very high asset intensive business but certainly there will be capex to support the business for its growth plans. As far as debt is concerned, one of the options that we are looking at is to refinance the existing loan which on mix of three, four, five years kind of debentures so that there is no debt repayment pressure at least in the next two and two-and-half years. I think the board at the right time will then take a call on what it will do with the kind of cash that this business will generate.

Venkatesh: Sir just to again ask on the same point, I am asking you what kind of capex you intend to do next year, I was just trying to figure out whether the scale is going to be 10 Crores per year 100 Crore or 150 Crores or 200 Crores that is what we were asking?

Sandeep Batra: So it will be around 30 to 40 Crores of capex.

Venkatesh: On a per se glance it looks like you will make enough cash flows so why do you not want to repay the debt? Why do just want to just refinance because you will have more than 200 Crores of cash flow from operations why would you not repay the debt, where else is the use for this money is what of interest?

Sandeep Batra: I think as I have mentioned earlier part of the cash that will generate will be paid by way of dividend. We are waiting for once the board gets properly constituted for a decision or for approach as far as how we will deal with dividend. As I mentioned to you the whole fund raising process is still

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underway, we see an arbitrage opportunity in terms of refinance the existing loan. We certainly do not have the cash flow to repay the entire loan upfront so we will work out what is the right way to deal with the cash that the company will generate.

Shantanu Khosla: Just one more line. Obviously like Sandeep said we have to finalize our approach and policy etc., the dividend and the board will be doing that at the appropriate time but again just to clarify our objective overall like you mentioned is to create value for all our stakeholders including obviously our shareholders as we build our business. Dividend will be one of the ways in which we are adding value to the shareholders so we do see that playing a role it is just that the transition has to complete and we have to take final calls on policy etc., on the appropriate forum.

Venkatesh: That answers my question Sir. Thank you very much, all the very best.

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

Charanjeet Singh: Sir fans seems to be one of the most critical segment for us right now and we are focusing quite a lot on the premium segment so if you can help us overall in the fans segment itself what is the kind of proportion of premium fans right now and how do you are intending to make the premium category grow further and also if there are plans to go into the rural segment and when will start panning out that?

Shantanu Khosla: First, I just want to clarify so that there is no confusion. We are getting disproportionate growth from premium fans, and non-premium fans also growing, okay so just to be clear because this is important to keep growing. The opportunity to grow premium fans is significant. Our premium fans business represents only roughly 10% of our total fans business. So there is opportunity and it is not only a matter of the additional value that may provide to us but more importantly it is where we can provide value added benefit, we can provide innovation, we can make the brand significantly more relevant to younger users so it has a significant role beyond just if you will the financial mix which of course is important.

Charanjeet Singh: Sir the follow up question on the rural segment, do we intend to focus on penetrating into the rural market or it is long way before just focus on the tier I tier II cities?

Shantanu Khosla: Again, I just want to clarify on this because different people define rural differently. So just for simplicity of definition let us talk the census definition of urban and rural. First is our first focus for getting deeper is really class IV, class V towns not in necessarily into the 660,000 villages of this country; however, as we look out beyond that yes, we will be going further and deeper our products do sell in rural but largely through wholesale and not through our own programs. So if you will in the mid-term we will go to much smaller towns in urban India beyond the mid-term we will need to start getting more active if you will in census defined rural India.

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Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Thanks for taking my question. We have seen good margins in the consumer segment just wanted to know if we have taken any price increases in the fan segment and what was the growth in overall fans this quarter compared to last quarter?

Shantanu Khosla: We have taken some amount of the pricing in fans. One is obviously there is a positive pricing element coming because of the mix improvement in fans but beyond that selectively where we saw an opportunity we have taken like-to-like pricing but that like-to-like pricing is not hugely significant its kind of in the 1% to 2% sort of range. Your second question was Ravi?

Ravi Swaminathan: In the growth in overall fans?

Shantanu Khosla: Growth in overall fans is, because you want to stick to our reporting segment let me just leave it at that our fans are consistently growing in double digits.

Ravi Swaminathan: Regarding participation in government tenders given the fact that LED prices in government tenders have gone below Rs.60 per bulb will we participate in such tenders further or we might reconsider not participating in it, what is our strategy there?

Shantanu Khosla: It is a combination of two things. One, we need to serve every consumer and every channel including the government. Two, we need to create value for our shareholders so we are in the business of giving stuff away free. Now it is our job as a management of this company to manage that balance, like I mentioned today we have been participating from day one and we are doing the work we need to do to make sure that that channel is also creating value.

Ravi Swaminathan: Thank you.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: My question is again on the fans if you could delve into deeper what would be the premium or the super premium fans? Do you believe are there gaps in the portfolio is especially in the premium super premium where you believe it needs to be bridged and that could be one of the further growth drivers and a last question is on the this is a house-keeping question what is the total gross debt as at end of the year?

Shantanu Khosla: Okay I will take the first one and pass the second one to Sandeep. Of course there are opportunities for growth in premium fans and for that matter in non-premium fans also. However, I do not think that we are looking at it and saying here is the portfolio gap. We never look at a market and said hey! Someone got a temperature sensing fan, there is a gap, we do not have one, let us put it in. That is not



how leaders lead. What we did is we said here is a consumer need which today is not being met. How can I meet it better than anyone else today? So that is the way we look at it. So there is an unending opportunity its only a function of our ability to identify those needs and then find good business proportions to meet those needs. That is how we are approaching it. Sandeep on the debt?

Sandeep Batra: So the total debt as of March 31 was around 640 Crores.

Bhavin Vithlani: Thank you so much.

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

Bhargav Buddhadev: Good afternoon gentlemen. Sir I have three questions, one is what the strategy in appliances, especially water heaters is? Second what has been the ad spend in the half a which has been reported so second half FY2016 and what could be the targeted Ad spend in FY2017 and third is on the premium side what is a strategy would you be manufacturing or would it be a vendor based model?

Shantanu Khosla: Let me start with the second one. Our advertising in terms of television advertising did not start in the period, which we currently are reporting. It started from April, May, June quarter. As mentioned earlier we expect to advertise at a competitive level.

Bhargav Buddhadev: Sir is there any amount being spend can you quantify for instant Havells says 3% of revenue has been spend on ad so what has been the ad spend I do not need that TV spend but in general what has been the ad spend for the second half FY2016?

Shantanu Khosla: There has been no TV spends so there has been let me say a nonsignificant amount of spend. Your first question, which is what is our appliances strategy, typically on geysers. Now all appliances as you are aware it is one of our smaller segments. Our goals in appliances is to become a significant player and by significant we define is either a number two player or at a very least strong number three on route to becoming number two. Today, we are still learning and trying to prove the best model of success from two aspects what is a right innovation in product model and two what is the right go-to-market approach. Because the go-to-market approach for appliances we believe requires a little different capabilities from the go-to-market approach say for fan, which is much, more dependent on the electric channel. We are still in a process of qualifying these and so our focus over the next 12 months on appliances is really to answer precisely the right executional model to meet our objectives. Then once we have done that then we will step up our investment level.

Bhargav Buddhadev: Sir on the premium side of your fans the strategy would be to manufacture or to be a vendor based model?

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Shantanu Khosla: Overall as a business model one of the strengths of this company it is asset-light so overall we do plan to retain this what we believe is a competitive advantage of being an asset-light model that being said we will take every sourcing decision based on what is the best decision at that point in time. We are not hung up on A versus B, whatever is financially the right decision whatever the right decision for the consumer and the product proposition we will take it at that point in time. The overall we see competitive sense in our asset-light model.

Bhargav Buddhadev: Just a clarification for the debt numbers so does this debt number include acceptances Sir 640 Crores?

Shantanu Khosla: No it does not include.

Bhargav Buddhadev: So how much is the acceptances number Sir?

Shantanu Khosla: That will be close to couple of 100 Crores.

Bhargav Buddhadev: Thank you very much Sir.

Moderator: Thank you. We will take the next question from the line of Priyansh Singhal from HDFC Standard Life. Please go ahead.

Priyansh Singhal: Good afternoon Mr. Khosla. Actually I just wanted while you did in your opening remarks give enough color on the strategy, I still wanted to sort of dwell a bit more on individual segments so out of the four segments that we have which is fan, light and pumps and durables what would you believe over a three to five year period would be relatively the market potential and the growth potential in some of these categories and therefore what will be the key focus areas out of these four categories that we have present in for us as a company where you think the brand also plays an important role so are there any areas where we are planning to de-focus in a relative basis and also going into each of the four segments therefore what are the products have that you has in do you think you need to fill over a period of time and are they are different distributional strategies you need to undertake in each of these areas so some more color on what your plans for durables, pumps also on the product gaps in these categories and distribution and Ad related sort of strategies for these categories?

Shantanu Khosla: I hope I do not disappoint with my answer because you know you have asked us so much and obviously a lot of it while we have developed specifically internally would be inappropriate for me to share with you, so let me try and put it back. Like I said one is focus on the core and it is important to meet our objectives to keep driving the core, the core is fans, the core is domestic pump. Right, let me see areas where if we get it right you could get high growth. The two key areas, which we could get high growth, are obviously LED lighting and the second is household appliances given relative small size of this business today. All our businesses are equally important. So we are not focusing or defocusing on anything they are just our in different stages of development and have different ways to drive that. How are we going to win is pretty uniform actually for all of them, because the specific



execution may be different. Driving brand equally is equally important for all of them and appropriately we will work to drive brand equity for everyone of our segment. Strengthening our go-to-market both in terms of availability and distribution and reach had also that quality of that availability and distribution reach is important. Now obviously, again the relative strengths of different channels to different parts of the business would be different but it is our jobs to build that capability across all the required channels. Innovation is equally important understanding the consumer and driving superior products which better meet those consumer needs is equally important but the consumer needs for superior fan versus if consumer needs for a superior small fans its different but they all need innovation programs. Building our muscle if you want to invest by driving cost we see cost opportunities in most of our categories, in lot of areas that we need to work across that are equally important in all of that.

Priyansh Singhal: But in case of pumps for examples what are the plans specifically for pumps is that a segment, which you feel, is that brand conscious and therefore is that a core sort of focus area for us and if you have something that you can highlight on pumps?

Shantanu Khosla: Pumps is a critical segment of us and also falls in the category of the core segments to drive. Pumps basically the market comprises of three segments. They are small domestic pumps. They are agricultural pumps and there are specialty pumps. We are the market leading position in domestic pumps. Obviously, we have the opportunity to drive our share in agricultural pumps and specialty pumps, both of these are our areas where we are putting appropriate programs in place, we are driving awareness for example with strong wall painting programs because that is kind of a vehicle which is appropriate, the agricultural pumps an innovation program because when you get into agricultural pumps for example different states have very different quality of electricity which is available to run the pumps so the pump motors have to be designed differently to manage different electricity conditions so all the innovation is going on. So those are the three segments, in plans but it is still brand, product innovation, go-to-market. Those are the three markets.

Priyansh Singhal: Just a follow up to that is there a possibility to quantify some of these goals like currently how in terms of number of touch points or outlets that we are present in each of these segments what would that number be and going forward from a three to five year point of view what is it that you are looking at and also in terms of ad spend as a percentage of sales what is the sort of steady state number from a three year point of view we are looking as a percentage of sales to achieve and lastly in terms of margins also if you can sort of quantify say from a three to five year point of view is that a margin that we are sort of targeting either it in EBIT or EBITDA level? Thank you.

Shantanu Khosla: Let me try. We are today available in a lot of outlets. Our plan is to be available in a lot more outlets. We will advertise and support our brand competitively, we will grow at topline objective wise faster than the market and we hope to grow our bottomline at least as fast if not faster than our top line.

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Priyansh Singhal: Thank you.

Moderator: Thank you. We will be taking the next question from the line of Mayur Patel from DSP Black Rock. Please go ahead.

Mayur Patel: Congratulations gentlemen for the good set of numbers. Just want to check like what are you guiding that you are targeting profits to grow at least in line with sales so is it operating profit we should see to grow in line with sales or the net profit bottomline?

Shantanu Khosla: The target is that operating profit should grow as fast as topline if not faster.

Mayur Patel: Then with some kind of deleveraging over next the next three to four year's time, bottom line could grow at a faster rate?

Shantanu Khosla: Of course, we are not factoring in the benefit of deleveraging when we say that.

Mayur Patel: Just another question like you mentioned in the results that 147 Crores of operating profit before corporate expenses grew by 21% so if you compare that with the number given in the results the difference is around 23 Crores so like in last quarter you gave some idea about some part of this corporate expenses are one off in nature, can you give some idea about this out of this 23 Crore is there any number which you can quantify is not recurring in nature?

Shantanu Khosla: There is, there will be about 6 to 7 Crores of the expenses here which would be nonrecurring. A couple of these points we clarified when we explained the increase in employee cost that there was, we had to make provisions for retrospective amendments to the payment of bonus act so that amount has come as we have classified that has corporate expenses and there are few other one off items largely associated a transition around the demerger so base corporate cost for fourth quarter would have been 16 to 17 Crores.

Mayur Patel: There is another 9.27 exceptional item so what is that?

Shantanu Khosla: So that 9 Cr is a specific expenses incurred only for demerger.

Mayur Patel: Just one more data point if you can give me, I got disconnected so this premium fans what is the percentage of premium fan in the fans category?

Shantanu Khosla: 10%.

Mayur Patel: Thanks a lot. I will come back for more questions.



Moderator: Thank you. Ladies and gentlemen that was the last question I would now like to hand the conference over to Mr. Harish Bihani for his closing comments.

Harish Bihani: Sir, do you have any closing remarks?

Shantanu Khosla: First is just thank you. Thank you all for dialing in and thank you for showing interest in our company. Obviously our intention and desire is to be as transparent as we can with information so you are able to have the best picture of the company. We obviously have some restrictions on us broadly speaking the restrictions are either because we do not want to release competitive sensitive information or the restriction which are simply driven by ensuring that current governance and etc., we are fully transparent, fully not just in letter but also in spirit. But our intention is to be completely transparent and take the time to help you understand our business. Thank you once again for joining the call and like I had mentioned if you have any follow up questions, Yeshwant will be available immediately after the call, please feel free to call him. Thank you so much.

Harish Bihani: Thank you. We thank the management for taking the call and the participants for joining the call. Thank you.

Moderator: Ladies and gentlemen, on behalf of Kotak Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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This document has been edited for readability purpose.

