Crompton

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Date: February 05, 2020

To, The General Manager **BSE Limited ("BSE"),** Corporate Relationship Department, 2nd Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001.	To, The Secretary **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: 118/2019-20	**Our Reference: 115/2019-20**

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 December 31, 2019, kindly find enclosed the transcript of the same, held on January 30, 2020.

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

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"Crompton Greaves Consumer Electricals Limited
Q3 FY2020 Investor Conference Call"

January 30, 2020

ANALYST: MR. ACHAL LOHADE – JM FINANCIAL INSTITUTIONAL 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 – VICE PRESIDENT, STRATEGY AND FINANCIAL PLANNING - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

Pavitra: Good morning, ladies and gentlemen. I am Pavitra, moderator for the conference call. Ladies and gentlemen, good day and welcome to the Crompton Greaves Consumer Electricals Limited Q3FY2020 investor con call hosted by JM Financial Institutional Securities Limited. As a reminder, all participants' lines will be in listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I will handover the conference over to Mr Achal Lohade from JM Financial Institutional Securities. Thank you and over to you, Sir.

Mr Achal Lohade: Thank you, good morning and warm welcome to all on behalf of JM Financial for the Q3FY20 conference call of Crompton Greaves Consumer Electricals. On the call today we have Mr Shantanu Khosla, Managing director, Mr Mathew Job, chief executive officer, Mr Sandeep Batra, chief financial officer and Mr Yeshwant Rege, vice president strategy and financial planning. I will handover the call to Mr Khosla for his opening remarks post which we can open the floor for Q&A. Thank you and over to you Sir.

Mr Shantanu Khosla: Thank you. Good morning and this is Shantanu here in Mumbai along with Mathew, Sandeep and Yeshwant. Thank you all for joining in today. As usual I will give some brief overview, thoughts and perspective and then we are happy to take whatever questions all of you may have. Let me today start with actually giving you a little bit of a perspective on our total volume performance. While we look at it internally very closely, we don't normally talk too much about this in calls, but I thought it's useful to share because especially during challenging macro times, we really believe that volume is a critical number because it is the best indicator of the health of our overall business. A total volume growth in a company excluding B2B, really, a consumer part of our business, ECD and B2C lighting was in healthy double digits at 13% and both our segments delivered double digit volume growth, which we think is a good indicator of the basic health of our business. Moving onto the ECD business, our current quarter continued its strong momentum registering double digit growth. Our growth was driven by fans, domestic pumps and appliances. Growth in fans was just under 10% and our year to date market shares in fans is up year on year by 80 basis points. We have been talking over the last couple of quarters of how we are now being beginning to drive the fourth leg of our business, which is the appliances business to drive it towards the leadership position. We are pretty-happy with the continued performance of this segment and it has delivered strong double-digit growth importantly not just for a quarter, but for the 5th consecutive quarter. Value growth was 64% in geysers and obviously the previous quarter the key segment in appliances, which we have focused on due to season was geyser, but additionally, a mixer grinder business was up 40% and air cooler business though off season more than doubled. The revamped geyser portfolio along with continuous addition of products propelled us from an also rank 7th or 8th player and we are currently

already a number 4 player and have attained a double-digit market share at 11%. Our pumps business, the domestic business continues to grow robustly and close to double digit, however, the agro business as it has been doing for the last couple of quarters, it was relatively soft. The agro business we believe as we talked before continues to demonstrate some extent of softness really driven by two reasons. One is the overall impact of the macro situation, which we see in rural India where the agro business essentially plays, but also importantly, due to simply the fact which is linked to pumps business that we had a strong monsoon so coming out of the monsoon water tables tend to be pretty good, which we have seen in the past also impact the business. This of course we expect as we move forward to settle down. Also, importantly, as we have been consistently demonstrating, our margins have improved and they have improved this quarter by 100 basis points in this segment as our ongoing strategic cost reduction programs, efficiency driving programs are continuing to bear results. Moving onto LED business, the volume growth in LED bulb, battens and panels was up 13% in the current quarter. And we have actually also grown market share in LED lamps year on year by 110 basis points, however, as it is obvious from numbers the value growth continues to be negative. I just wanted to make a couple of clarifying points on this. As we have talked and as we have seen in the past, the reason for the difference essentially is because of ongoing price erosion in LED B2C business. Now over the last quarter we did not see any further erosion, so it looks like this quarter at least the prices have begun to stabilize, however, we continue to face the base impact because prices really dropped about 15 to 20% last year around July-August. So, it will be another couple of quarters before we anniversary that base period and the volume growth starts translating into value growth in our B2C business, but we continue to believe given the volume growth and the continued share growth that this business is robust and we will continue invest in it. Of course, like always with our B2C business the caveat is this is under the assumption that there is no further price erosion in the quarters ahead. Like we talked last quarter, we have continued to work aggressively on cost and this is beginning to show results though it is not all the way yet where we wanted to go, but sequentially our EBIT margins in the segment improved from 5.2% in Q2 to 6.9% this quarter, which we believe is good progress and keeps us on track. The B2B part of the business remains challenging as we see impacts of the economic slowdown on institutional and government business with deferment of orders and execution clearances delay. Moving onto what we believe and we talked about as our strategic choices, which have really been working to drive our business, one of course is we continue to commercialize our innovation pipeline, which really has been a big driver of growth all these past years. We have recently introduced a new series of silent pro fans, which is going into the market as we speak. This comprises of both superior performance, lower energy consumption with BLDC motors and also much, much more silent performance due to its plastic construction. Geysers as we driven by a series of initiatives, which we put in over the winter and we will continue to commercialize viz. Regalio, Multifit, Qube etc. We remain positive on performance of coolers as we are now

entering the critical season for coolers, we are expanding our extremely successful optimum series and window cooler. Even a mixer grinder, which remains the big opportunity for us in the rest of the appliance portfolio, Brio, Ameo and Elle are three new initiatives going in. We see these programs continuing to try both volume and revenue growth. The second key leg obviously has been our continued focus on brand building. Over the last quarter for the first time ever we had an advertisement campaign on geysers complemented by radio and print. This was one of the key drivers behind the continued strong growth of geysers. We will continue to focus on increasing our market outreach in the appliance segment through new product launches complemented by advertising and sales promotion activity. Even though overall as you are all aware, the overall macro situation in the country is challenging, as we have talked before, we believe this is an opportunity to actually step up our investments behind key long-term brand building activities. In the current quarter on the advertising and sales promotion we spent 21 crores towards brand development. In the previous nine months of this fiscal year, our AMP spend has been 89 crores close to 2.5% of revenue, which is 14% higher than the comparable period last year. So, we will continue to invest in these activities to build our brands and build our market share. Finally, a few words on our go-to-market program, this stays and is very much a key leg of our program to enable the commercialization of our innovations and brand building. We are seeing as reported by third party independent retail order data that across our categories are distribution reaches continuing to expand. We have added 1.6 points incremental in fans and 1.1 points incremental in B2C lighting over this period. Additionally, we have made and continued to make significant investments in data capability in systems, processes and people. Our secondary sales and tracking through a tally patch now covers close to 50% of our business. These improvements in data availability processes our planning capability has actually allowed us to now over this period improve the period of settlement to our dealers of primary schemes to what historically used to be about four weeks to what is today about a week. This obviously has been a big competitive advantage to us again given the macro economic situation because it has enabled us to significantly help our dealers, partners, working capital by reducing by 75% the time period of processing their claims. Next our overall business continues to be strong, we continue to drive in a strong double digit growths, our distribution continues to increase, our market shares continue to increase and we see this happening in a situation where are also being able due to cost reduction, mix and other efficiency driving programs continue to increase our margin. So, with that overall color, we are happy to take any questions.

Pavitra: Thank you, Sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star and one on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing star and one again. I repeat, ladies and gentlemen, if you have a question please press star and one on your telephone keypad. Participants are

kindly requested to restrict with one question in the initial round and join back the queue for further questions. First question comes from Pawan Rati from Edelweiss. Please go ahead.

Pawan Rati: Hi, thank you for taking my question. So, my question is on the lighting business. How do you see it planning out over to next two to three years on both price and volume front and do you see the price stabilize?

Mr Shantanu Khosla: First which is easier to answer, we clearly see lighting as a key strategic long-term growth and frankly profitable growth business to be in. Second, we have over this entire period continued to deliver at least double-digit volume growth which basically means more and more people are using Crompton lighting. There is no reason why that double-digit rate and volume growth should not be sustainable in the short, mid and long term. On price erosion, we have seen that over the last three to four months there has been no more price erosion. As we look at the cost structures and the teardowns we do and the global trends of material costs, we believe that pulse from a cost point of view we are now extremely efficient. Therefore, we think that price erosion should significantly reduce or not stop at least on a sustainable basis. Tactical price drops may or may not occur, that's very difficult to predict from competitive perspective, but we believe that sustainable price erosion at least in the B2C segment should now hopefully be significantly lower. If that is the case, then obviously we believe that the double digit volume growth will translate into double digit value growth.

Pawan Rati: Okay. Thank you that answers my question.

Pavitra: Thank you, Sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. Next question comes from Bhavin from SBI Mutual Fund. Please go ahead.

Bhavin: Yeah. Thank you for the opportunity. One question on lighting, a few quarters back you had mentioned a new facility, which started in April 19 that will be a key contributor for the margin trajectory to 10%. I would appreciate if you can give us an update on what's the ramp-up of the facility and way forward and what are the bottlenecks that you have been facing in that facility, which you are taking that into actions?

Mr Shantanu Khosla: Thank you Bhavin. Bhavin just to clarify, we did not put up a new plant in lighting. I believe what you are probably referring to are the investments which we made in our existing facility in Vadodara, which is essentially what investments made to automate the production of bulbs significantly more than it is. We installed, how many machines Mathew?

Matthew: Seven

Mr Shantanu Khosla: We installed seven lines over a period of time out of which three to four lines are fully operational. These lines are obviously a part of our cost reduction program, but actually more importantly than cost they were to

enable to other strategic objectives. One was to increase our capacity and the second was to ensure superior and more consistent quality. In terms of the margin's light parts, from a cost point of view we are more or less at the cost we need to be which has sort of brought our margins up from about 5% to 7%. Over the next few quarters assuming that there is no further price erosion it really will be the growth and the scale benefits we will get of the growth, which will give the balance couple of points to get us back to target margins.

Bhavin: Sure. Thank you so much, Sir.

Pavitra: Thank you sir. We have next question from Atul Tiwari. Please go ahead.

Atul Tiwari: Sir, thanks a lot. Sir, you spoke about the distribution reach in B2C lightning and the fan business. So, if you could throw some more light on the same as to what is the proportion of the reach currently and what are the targets and if you could also throw some light on the new product introduction in the business and the times lines if any.

Matthew: Our reach in fans has gone up by 1.6 points.

Mr Shantanu Khosla: We can give you more numbers in detail if you contact Yeshwant later, but let me just kind of give you a rough indication for fans, so the numbers are in my head. As per the retail audit, which is similar to Nilson, our fans have, currently had about low fifty distribution and over the year this has moved up close to 54-55% so that is the extent of these setups I have got.

Atul Tiwari: And sir what about lighting?

Mr Shantanu Khosla: Lighting in terms of percentage in fact would be a little higher and the reason it would be a little higher is not because we are adding significantly more outlets, but just as the percentage wise we started on the lower base of distribution of lighting. But either way, I think it is, important thing to remember is two things, one is that distribution share is significantly ahead of our market share and our distribution is growing.

Atul Tiwari: Okay sir and sir, what about the new product launches over next year or so?

Mr Shantanu Khosla: Well, obviously I cannot talk too much about things which are not in the market, like I mentioned coming into this summer we have got some critical intervention, new product launches, going in, in fans and coolers. In fans we have begun to launch our silent pro-series. Our silent pro series is a premium range of fans. Its fundamental benefit is extremely silent operation at 50% less energy usage. It also gives superior air flow to competition. The energy efficiency comes from the fact it's a BLDC range and it's a plastic construction. Similarly, as I mentioned about significant new programs, leveraging our cooler business going in over this winter, for example, one of our coolers provide faster cooling even on the hottest day and the technology and the design elements which are

providing this is the fact that it has got a significantly larger ice tray and competition and it also has significantly superior airflow. Finally, on lighting we have just introduced a new initiative, a premium initiative as we saw at the top we want to bring in value back into this category and that is specially designed backup bulb. This backup bulb comes in two variants. One provides backup for one hour and the second provides backup for four hours. So, we will continue to obviously bring innovations that are consumer meaningful and we will continue to support these through advertising and obviously our go-to-market distribution.

Atul Tiwari: Okay, Sir. But no plans of…

Pavitra: Sorry to interrupt…

Mr Shantanu Khosla: This is entirely new products. This is…

Pavitra: Sorry to interrupt Mr Atul.

Atul Tiwari: This is just a clarification ma'am.

Pavitra: Yeah.

Atul Tiwari: I was asking no plans for introducing entirely new product like for example, water purifier or completely different from what you currently sell.

Mr Shantanu Khosla: Obviously we have plans and obviously I cannot talk about them.

Atul Tiwari: Okay, sir. Thank you.

Pavitra: Thank you, Sir. We have next question from Sonali Salgaonkar from Jefferies India. Please go ahead.

Sonali Salgaonkar: Good morning, Sir. This is Sonali from Jefferies.

Mr Shantanu Khosla: Good morning Sonali.

Sonali Salgaonkar: Sir, I have one question on what is the market share in the appliances segment that you are in of the sub-segments in appliances and secondly what is the present scenario in the month of January that you are witnessing for both B2B and B2C segments?

Mr Shantanu Khosla: Okay. When you say B2B, B2C are you referring Sonali to lighting?

Sonali Salgaonkar: No Sir, overall of your portfolio.

Mr Shantanu Khosla: Overall, okay...

Sonali Salgaonkar: Including…

Mr. Shantanu Khosla: So, got it. So, let me take that part and then Mathew can respond to the first part of your question. Okay? On the overall demand scenario, as we have been mentioning earlier apart from certain very specific pockets, we are not seeing a huge impact of the slowdown on the demand scenario. The two pockets where we have been seeing an impact and we have continued to see an impact, we talked about the last quarter also. One is our rural business, which is primarily agricultural pumps and the second is our B2B lighting business. One of the other things, which people have asked about in terms of the demand scenario has over this previous period has also been destocking by trade, working capital etc, etc. Now we have not seen a significant trend of down stocking by trade over this period. What normally happens is the previous quarter was the lean season for fans and as always be. So, in winter this year like every year before that trade needs to hold less inventory because the demand is lower in winter than it is in summer, but we have not seen any significant down stocking happening across our businesses. So, may be, you know, and it is very difficult to pinpoint overall on our business, may be there is a point or two here and there, but it is clearly not a situation where demand seems to have collapsed, it's down by 20%. We are not seeing that kind of stuff.

Mathew: Your question on the appliances, you know, segment share I think geysers, actually mentioned sometime back our share has grown to around 11%. If I look at the same number about a year or year and a half ago it was about 7-8%. So, I think two continuous seasons of 50 to 60 % growth has helped us to grow our share from roughly 7 to 11 in geysers. That puts us in number 3, number 4 as we mentioned some time ago. In air coolers, we are still low single digit market share somewhere around 3 to 4%. You know, in the last season we grew 100% and that has helped us to reach to 4%., but we are still as you know, there is a significant, you know, I would say runway to really get to double digit shares. Mixer grinder again low single digit shares and these are the three categories we said we will make significant progress in the next few seasons.

Sonali Salgaonkar: In fans?

Mathew: In fans the market share is roughly 27%, you know, in ceiling fans.

Sonali Salgaonkar: And two to three years back it would be?

Mathew: It was around 23 to 24%.

Sonali Salgaonkar: Alright sir. Thank you. That's it from my side.

Pavitra: Thank you ma'am. We have next question from Venugopal Gare from Bernstein. Please go ahead.

Venugopal Gare: Hi. Thanks a lot for the opportunity. You know, just referring to one question asked earlier by Atul on the completely new product plan, I understand it probably is not, you may not be able to share the details, but

given that we have all been waiting for a few years for something, you know, big, can you at least share us a timeline, is it a 12 months sort of a plan for you or we will probably have to wait for slightly more time than that? That is my first question.

Mr. Shantanu Khosla: Okay. First, I just want to clarify that for all practical purposes if I go back 12 months ago the entire appliances category was a completely new category for us. Like Mathew said a year a half ago we probably had 2-point share in geyser, 1% share in cooler and probably a less than 1% share in mixer grinder. If I look at these three categories themselves, these three categories have a category size of about 10,000 crores. So, like we talked before, one of our key focuses is to go become a number 2 at least in each of these categories. Second question is what about a category which we do not play again and I guess like it was mentioned earlier as an example please. Only because it was mentioned earlier, I am saying water purifier or air conditioners or refrigerator, alright. Obviously, we are working on various options, but I want, I said this before and I want to make it absolutely clear, our objective is not to enter a new business. Our objective is to enter a new business successfully. And we are continuing to work on that. The moment we believe that we have a consumer reason, a technology reason and a sustainable competitive advantage which can make us win in that we will enter, right? But it is very important to realize two things in this story. Number one, there is a 10000-crore category, which a year ago we were not present in. Number two, categories beyond the 10000-crore entry is not the objective. Most people, who just enter destroy value. The objective is to enter successfully. And when we are ready with that proposition, you guys will be the first to know.

Venugopal Gare: Thank you so much, you know, my second question is on the lighting business. I just wanted to understand when we look at the volatility of the business given the price erosion in the LED lamps category, I wanted to understand based on, you know, your own cost structure etcetera, what is it, you know, would be required for you to actually lead the cost curve there? So, what I am trying to highlight here is that actually you become a cost leader, you are the one actually trying the price erosion in the market because you have better cost structure. So, is that even possible or it is not actually not possible to do that?

Mr Shantanu Khosla: First just to clarify, we have no desire to drive pricing erosion in the market ever. Second, based on our best understanding on parts of the lighting business today we are the cost leader. So, for example, in bulbs, we are the cost leader. We also know that in certain other segments such as battens and panels we have worked to do to be the cost leader. I would also just point out that four years ago our position in lighting was similar to what our position today is in mixer grinders or irons. And we went from that position to a close number 2. One of the ways we did it was actually on bulbs. Being the cost leader, being one of the first people to not only be the cost leader, but to advertise the benefit of that lower cost on LED to the consumer and if you go back to what we did four years

ago, we had put on, on this curve. It really was driven by that. The last comment I will make on price erosion and as I know, I admit and I am the first person to say that the level of price erosion has consistently surprised us over the last two years, but I would like to reinforce that over the last four to five months we have not seen any more price erosion. Based on our best judgment, we think that costs have come down to as low as they physically can.

Venugopal Gare: Thank you so much.

Pavitra: Thank you, Sir. We have next question from Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: Yeah, congratulations on the great performance on ECD given the context of the economy. My first question on geysers where you have seen very good success in the last two years, if you could just help us understand looking back in terms of how you have achieved this, were there example where the product was significantly differentiated like you have had in fans in the past and how much has distribution paid a role given that the channel may not be exactly common with your fan and pump channel.

Mathew: I would say, you know, in terms of geysers I think there has been significant work that we have done on the product portfolio just to give you a perspective, every, you know, none of the products that we sell today in this season existed 18 months ago so typically in the past our product refresh rate in geysers was may be once in 7-8 years, but we have completely refreshed the entire portfolio. Earlier I would say we had a product portfolio disadvantage versus the couple of leading competitors. Today I would say we are at least on par in some segments of the water geyser business we might be actually having superior portfolio and that's actually helped drive bulk of the growth. The second question you asked is about the channel. I would say while our reach has improved in geysers, there is still so much more that we can do, you know, even today our geyser range is less than 20%. Maybe it was 10% the year and a half ago it has improved but then still 70% of stores still don't have a Crompton geyser. So, I think there is significant opportunity to leverage the channel further, which can try the growth in the years to come. In terms of portfolio, there is still scope to develop this portfolio and build a completely differentiated and superior portfolio that's still work to be done. That's what I would say.

Mr. Shantanu Khosla: Sorry, the last thing I would add to Matthew which was a key driver is investing in advertising to the consumer. We have never done it before. It's not something we traditionally, you know, once in a while people have advertised in the past, but it's not a heavily marketed category. We invested in the brand.

Arnab Mitra: And one small question on the China supply chain given the current situation, is there any risk to the supply chain especially in lighting and stuff where China is a big source of the supply.

Mr. Shantanu Khosla: Well, right now we are okay for the near and short mid term. Obviously, we are keeping a very close watch on it and are trying to understand the situation and really all the function of how long this goes together. One of the, well, it's odd and a tough human situation, but one of the benefits which has been that in any case normally before Chinese New Year and this period of two weeks where most of China tends to shut down in any case, there is a lot of inventory build up. So, we also do that inventory build up. Our vendors tend to do it. So that sees us through this period because of that so it's really, we have to wait and watch like pretty much the rest of the world. The biggest, it will have to extend significantly before it starts to having a material impact on us so we just really have to wait and watch. We hope, hopefully should not and should settle down.

Arnab Mitra: Sure. Thanks. That's it.

Pavitra: Thank you, Sir. We have next question from Aditiya from Investech please go ahead.

Aditiya: Hi, good morning sir. Sir just wanted to understand what proportion of fan sales for the industry are dependant on new construction and what has really contributed to moderation of growth rate in the fan market in last few years?

Mr Shantanu Khosla: See the data indicates and this is old historical data that a very high percentage of fans are first time new installation. And a smaller proportion of fans are replacement. That has always been the case.

Aditiya: Hmm, hmm.

Mr Shantanu Khosla: However, I think what's important to realize especially the talk about these macro trends is housing construction and real estate slowdowns and declines actually significantly pre date the current last 12-18 months of GDP slowdown, right? That slowdown has sort of been happening for the last three-four years in terms of housing stats. So, in many ways that has not affected the current growth rates because it's already in the base. The other thing which we saw, which impacted the growth rates in the recent period was relatively temporary and these were the two incidences happened two years ago, demonetization has an impact for about two to three months and then GST had a temporary impact. But beyond that we are not seeing like I mentioned any significant slowdown. If I go back four-five years ago where real estate was booming, at that period in time the market was growing exceptionally fast, but now the market is also growing at a 6-7%, which is if you trend a long term history of fans growth market that's what the long term as always kind of been, may be a point here and there, but nothing beyond that.

Aditiya: Understood sir. And sir could you give us an indication how large are the economy and premium of the fan market and how is Crompton positioned at both these ends?

Mathew: The premium segments roughly, you know, in terms of market anywhere between 8-10% of the total market risk premium, but that part of the market is obviously growing fast. Crompton, you know, has a strong position in the premium segment, I would say in the premium segment at the national level we would be number 2, but there are parts of the country where we are already number 1 in the premium segment. The economy segment, you know, may be when you talk with the, I would say with the economy and what we call economy and sub economy part of the market together because there is a very thin line there and that, you know, the market would be around 25-30% of the market would be in that segment.

Aditiya: Understood. And how would Crompton be positioned there sir?

Mr. Shantanu Khosla: I am sorry to interrupt, but quickly to answer the last question, I am leader in that segment, but I request you to give the other folks a chance if you don't mind and then come back. And if you don't have time then feel free to connect with us post the call.

Aditiya: Sure, sir. Thanks for this.

Pavitra: Thank you sir. We have next question from Niket Shah from Motilal Oswal Asset Management. Please go ahead.

Niket Shah Yeah, thanks for the opportunity. Sir I had just one major question on the rating of fans which we were kind of highlighting in the last quarter as a significant opportunity for us. Would it be possible for you to give us some sales in terms of the progress that we have made and also a rough sale in terms of how much price increase would it be needed in the post rating change era for us?

Mr Shantanu Khosla: Two things. First part of your question just to clarify, the current regulations are and though they are still not, you know, there is a little work going on that by June 30th, you have to stop producing any fan that does not meet the new standards and by December 30th you have to stop selling fans which do not meet. We are, our progress towards having a plan, which not only meets this, but also like I said earlier which actually provides us an opportunity to meet needs better and therefore grow our business competitively better is very very well on track. And we are confident about the changeover. I will not give you a specific answer on the second question because obviously that is competitively sensitive and what I can tell you is every SKU of fan won't necessarily have the same percentage increase. These are all business and strategic choice that we need to make. Second thing I will tell you is we have spent a huge amount of we believe superior work in reducing the cost differential which is required and we believe we have solutions which has maintained the value, within value of our product range.

Niket Shah Sure. Sir just one question on that. Do you think that, you know, given an average realization on the complete fan portfolio, any substantial price increase or you know, to what extent of price increase will the market be absorbed, will be able to absorb, you know, without impacting significant volume growth.

Mr Shantanu Khosla: If I could give you an answer to that I would have opened a consultancy.

Niket Shah Okay. Got it. No problem sir, perfect. Thank you so much.

Pavitra Thank you sir. We have the next question from Ashish Poddar from Anand Rathi Securities. Please go ahead.

Ashish Poddar Yeah, sir my question is last quarter perhaps we have also grown because of strong winter products. So, my question is do we still see because the winter has extended and still very severe in most part of the country. We still see a good growth in the winter products and what about the summer products which normally start inventory filling from February. So, do you have any sense any colour? So, I am just trying to understand, it is just because of the seasonal nature of products we are seeing demand or you have seen sequential improvement in the demand scenario overall in general. Thank you.

Mr Shantanu Khosla: Okay. First just to clarify, yes, we have seasonal products, but if I look at our ECD business, only a very small part of our business has a winter season and that is geysers. I would, I mean, just speaking a number I would say more than 95% of ECD business is summer secured, right? So, the total business cannot get driven by only a winter skewed product. Obviously, the biggest season is the one way coming in, selling the critical as they are going in now, for our summer ranges which is why all the launches of cooler and new fans. Right now, we are not seeing any significant changes in the scenario in the first half of January than versus what we saw in December. In terms of, you know, the overall picture, the story nothing seems to be, so we are not seeing suddenly people are not buying fans or buying fans etc. It's kind of how it has always been.

Ashish Poddar Okay and my second question is on your tax, so this quarter we saw some negative tax because of some provision of earlier year. So now from Q4 will we see 25% kind of effective tax rate?

Mr Shantanu Khosla: Okay. Sandeep has been waiting for someone to ask that question so I will hand it over to Sandeep.

Sandeep: Yes, yes so on Q4 the tax rate will normalize to 25%.

Q4 will be 25%.

Ashish Poddar Thank you so much.

Pavitra Thank you Sir. We have next question from Renu Baid from IIFL. Please go ahead.

Renu Baid Yeah, hi, good morning sir. Hi just that performance has been pretty good for the last quarter, two questions from my end. One if you can highlight a bit more in terms of lighting you mentioned that you want to do a lot of actions in terms of improving portfolio on value added products so if you can highlight both B2B and B2C what have we planned and what is there in pipeline. Aligned with this I missed the initial remark so what was the kind of volume growth we had in LEDs despite 9% drop in sales.

Mr Shantanu Khosla: B2C LED lighting was 13 to 14% up in volume.

Renu Baid Sure. Thanks.

Mr Shantanu Khosla: Okay? And for further question Mathew.

Mathew : Yeah I think, you know, Shantanu briefly mentioned in the B2C part of lighting, we recently launched a couple of months ago this backup light with two version bulb, which should give backup of one hour and four hours, you know, so as we mentioned before I think one of our key strategies in lighting is going to be to create differentiated consumer level value added proposition and I think there is one more of anitbac. We have of course a few more plans in the next few months. Obviously, we have not disclosed what those are, but that is, you know, part of the strategy going forward. And similarly, in B2B also we have introduced some higher end range and that is likely to be, that will be strengthened in the quarters going forward.

Renu Baid On B2B side how, because your overall comments and outlook has been fairly soft on B2B portfolio. So, what in your view could drive and uptake or some recovery in this market and also if you can share what is the update on the Odisha Lighting Project. How far are we in terms of execution and completion timelines along with any change in scope or value for this job.

Mr Shantanu Khosla: Okay, let me take the first and then Mathew will take the second. Obviously, our B2B business is largely dependant on private and government investment in infrastructure, right? So, there is little control we have about the pickup of that. So, as investment starts coming back in projects, be they private or be they government, we will naturally get a pickup in the business. Meantime what we are doing is we are continuing to invest in our capabilities, we are continuing for example, like we talked in the past, we have invested in salesforce.com, a stronger organization, etc. So that as the investment scenario and infrastructure investment picks up, we will be in a stronger place to take advantage of that, but when that will pick is not really something which we can control.

Mathew: On the Odisha project obviously, you know, that, you know, till now the going has been quite slow, there have been quite a few issues which

have been ironed out. The expectation is, you know, the total project size of about 90 crores 50 to 60% should get executed in Q4 that is our best estimate at this moment.

Renu Baid Sure. Thanks Mathew and all the best.

Mr Shantanu Khosla: Thank you

Renu Baid Thank you.

Pavitra: Thank you, ma'am. We have next question from Vinod Panchal from Franklin Templeton. Please go ahead.

Vinod Panchal: Hi sir, Vinod here. Staying on the lighting business, could you speak about the recent volume trends in B2C segments, the last three-four months.

Mr Shantanu Khosla: I think Vinod over the last two to three quarters, this volume trend has been quite consistent. You know, pick a number between 10 and 15%, write on any month and the fluctuations which have happened have happened more based on realization per unit. So, the volume has been very consistently and is continuing to grow.

Vinod Panchal: So, does that mean that at least from now onwards since pricing erosion has stabilized, not happening anymore we should see positive value growth in B2C lighting even that…

Mr Shantanu Khosla: Okay. This is Vinod what I mentioned in my opening comments, the last price drop across the industry was July, August of 2019, which was the price drop of around 15%. So till the anniversary assuming there is no more price drops in the next couple of quarters so till we reach the anniversary period and the base get sorted out, we will still see a difference between volume growth and value growth but from that period assuming there is not further price erosion, automatically the value growth will be in line with volume growth.

Vinod Panchal: Sure, and on B2B what is the risk that the kind of price competency has seen in the industry that may spill over to B2B as well.

Mathew: I think, yeah, in terms of cost also in B2B I think, you know, the amount of cost that we have, that any company has been able to shave off the product cost have come down in the last few quarters. However, you know, I think one of the reasons we continue to see some level of price erosion in B2B is because of the demand scenario. The fact is that the demand scenario has been quite muted in the last few couple of quarters and as a result I think that has led to more price erosion than anticipated, but I think in terms of cost, which cost has been able to come down have significantly slowed down in the last few quarters. So, you know, as demand picks up we think that the price erosion will actually, you know, reduced actually.

Vinod Panchal: Let me rephrase my question. What I meant is this general understanding that B2B is somewhat better placed in terms of price competition and therefore, if B2B leads the segment growth you will not only see overall top line growth, but also margin expansion. Is that notion misplaced given that Odisha…. Yeah…

Mathew: So I would say in fact the price erosion in B2B I think, if you look at last two quarters, the B2B price erosion has not been less. In fact, I would say B2C price erosion especially on bulbs and even battens, you know, had been ahead of the curve actually.

Mr Shantanu Khosla: My simple answer is yes. That notion is as we speak today little misplaced. If, again if you go back in history three-four years what happened is the price erosion and the cost reduction started in B2C about 12 to 18 months before and B2B had started 12 to 18 months later, but now as we speak that same erosion supported by significant cost reduction has also happened in B2B.

Vinod Panchal: Right. So, there is not a very strong case for a margin expansion as such in the lighting business beyond what you are seeing already?

Mr Shantanu Khosla: Well, like we have always said, it is a strategic business Raj, we have a long-term great growth opportunity and we have always said that we believe a going level of margin once we get where we need to should be around double digits. So, we never see this business as a business that can have a 30% margin. A fair margin meeting can in lighting kind of business is about double digits.

Vinod Panchal: Sir, I agree with that, but you are doing half of that so doubling the margins from here would require a lot of….

Mr Shantanu Khosla: Okay, just to like I mentioned in the beginning, we were at about 5.5, this quarter we have come back to 7. Most of this recovery has happened as we have really driven further costs out. Now there is a little bit still left in pockets and cost, but most of the balance couple of points will come over time as we get the top line growing in value and we start getting scale benefits because importantly we are not cutting back on our investments in people in R&D and that's simply now getting spread over the smaller volume and couple of points will come from that over time.

Vinod Panchal: Thanks a lot. Thank you.

Pavitra: Thank you, sir. We have next question from Rahul Gajare from Haitong. Please go ahead.

Rahul Gajare: Hi, good morning. Thank you for taking…

Mr Shantanu Khosla: Good morning.

Rahul Gajare: You know, I have got a couple of questions, but I will just start with, you know, I have seen a little bit of increase in the unallocable capital employed and if you want to compare the last couple of years, this number has steadily moved up, you know, from 5-6 hundred crore rupees and this particular quarter we have almost touched 1000 crore rupees. So, could you throw some light on what is really happening over here and related to that would be, you know, with all the cost saving that you have done on the overall business we have seen consumer margin moved up almost, you know, 19 to 20%. So, is there a further scope of increasing the consumable margin from it? Thanks.

Mr Shantanu Khosla: I would like Sandeep to take the first and then we can talk the second.

Sandeep: So, there are two drivers with capital employed. One of the reason is the fact that our cash and equivalents is accumulating over the period due to retained profits and secondly over the last couple of years we have, you know, ramped up, we have started a program where we pay off our vendors ahead of their credits terms and that payment is at a cash discount of anywhere between 13 and 15% which they offer. So that number used to be zero about couple of years back and now we are doing that program of about 250 odd crores. So that plus the debt repayment would explain the swing in unallocated capital employed.

Rahul Gajare: Sure, sure. Thanks.

Mr Shantanu Khosla: And the second part of your question like actually we had talked this when our company started. Our goal, financial objectives are to grow topline faster than the market and to grow bottom-line at least as fast as stoplight, which essentially means that we don't want to focus on building margins, we want to focus on investing our efficiencies and savings to build a market share more.

Rahul Gajare: Okay.

Mr Shantanu Khosla: Okay?

Rahul Gajare: So, you seem to have, is there a further scope to see increased margins over here you think?

Mr Shantanu Khosla: There is always going to be further scope to reduce our cost as improved by effectiveness. Now our preference of how to reinvest this will always be towards building share as opposed to flowing it down to the bottom-line only because we believe in the long-term holding margins and reinvesting in building share will create bigger value for our shareholders.

Mathew: Right.

Rahul Gajare: Thank You

Mr Shantanu Khosla: Thank you.

Pavitra: Thank you sir. Last question for the day comes from Priyank Singh from HDFC. Please go ahead.

Priyank Singh: Yeah, hi, good afternoon. Congratulations on very good performance in the tough environment. So, Shantanu you know, I just wanted couple of clarifications and you know, some more data on, you know, the significant market share improvement that Mathew alluded to on the premium fan front. You know, he mentioned that in the few markets we already have reached say number 1 or number 2 position in the premium fan segment. Just wanted to get, you know, some clarity on what would be the premium fan share in our overall fan share at present and you know, over the last three or four years, you know, what would have been the CAGR growth in the premium fan versus overall fan at a company level that we would have witnessed.

Mr Shantanu Khosla: When we started this focus four years ago on grown premium along with drawing the base, the premium fan business used to contribute to about 10% of our fans business. Today the premium fan business contributes about 20% of our fans business.

Priyank Singh: Okay.

Mr. Shantanu Khosla: So, we were actually, you know, when we set this goal, we and a five-year goal of taking this 10% to 15%, but some of the innovations like anti-dust, air 360 all of these have really helped us over achieve on that objective.

Priyank Singh: Right. And the, you know, the way we define premium fan, how do we, is there any price point cut off above which we believe that this is a realization above which if the premium for us is…

Mr Shantanu Khosla: From consumer buying price, not MRP, what we call MOP 2500 rupees plus.

Priyank Singh: Okay. Okay. And what would it mean, you know, this shared improvement that you mentioned in terms of CAGR volume growth, would you have that number, you know, available in terms of say last three –four years CAGR of being….

Mr Shantanu Khosla: Yes, we would, but I suggest you after the call if you want the detail you can just give Yeshwant a call and we can share the share trades if you want. It's a third-party data so actually we cannot share the company data, but Yeshwant you can give you more details of numbers.

Priyank Singh: And also related question on this, you know, the price point that you mentioned above this price point whatever is the market size, you know, now what would be our share, you know, Mathew mentioned our overall fan market share is about 27%, but in the premium category above 2500 MOP what if we have a market share in that segment?

Mathew: Around 20 to 25% business because our fewer players playing in that segment. In the premium segment not many players.

Priyank Singh: Correct

Mr. Shantanu Khosla: So, what happens is in the total fan market at 27% where it's a clear total fan market leader, but at about 25% share or premium I am still on the number 2 in premium.

Priyank Singh: Yeah.

Mr Shantanu Khosla: Okay?

Pavitra: Thank you sir. That would be the last question for the day. Now I handover the floor to Mr Achal Lohade for closing comments. Over to your sir.

Mr Achal Lohade: Yeah thank you on behalf of JM financial and thank you all of the participants. Thank you, management, for giving us the opportunity to host the call. Do you want to make any closing comment Shantanu on this?

Mr Shantanu Khosla: Nothing except thank you as always. Thank you for taking the time, I appreciate it. Our objective is to share our business and our thoughts as openly and transparently as we can. As always if you have any more questions, we are freely available, contact us. Thank you.

Pavitra: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha Conference Call Service. You may disconnect your lines now. Thank you and have a pleasant day.

Mathew: Thank you.

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