Crompton

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

Date: February 6, 2019

To, **BSE Limited ("BSE"),** Corporate Relationship Department, 2nd Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001.	To, **National Stock Exchange of India Limited ("NSE"),** "Exchange Plaza", 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex Bandra (East), Mumbai – 400 051.
BSE Scrip Code: 539876	**NSE Symbol: CROMPTON**
ISIN: INE299U01018	**ISIN: INE299U01018**
Our Reference: 116/2018-19	**Our Reference: 111/2018-19**

Dear Sir/Madam,

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

With reference to our earlier intimation regarding the earnings call on unaudited financial results for the quarter ended December 31, 2018, kindly find enclosed the transcript of the same, held on January 30, 2019.

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

Thanking you,
For Crompton Greaves Consumer Electricals Limited

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

Crompton

"Crompton Greaves Consumer Electricals Limited Q3 FY2019 Earnings Conference Call"

January 30, 2019

ANALYST:	**MR. NAVEEN TRIVEDI - HDFC SECURITIES**
MANAGEMENT:	**MR. SHANTANU KHOSLA - MANAGING DIRECTOR -** **MR. MATHEW JOB - CHIEF EXECUTIVE OFFICER -** **MR. SANDEEP BATRA - CHIEF FINANCIAL OFFICER** **MR. YESHWANT REGE – VICE PRESIDENT, STRATEGY AND FINANCIAL PLANNING**

CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

Moderator: Good morning ladies and gentlemen, I am Pavithra, moderator for the conference call. Welcome to Crompton Greaves Consumer Electricals Q3 FY19 results conference call hosted by HDFC Securities. At this moment all participants are in listen-only mode, later we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Naveen Trivedi from HDFC Securities. Thank you and over to you sir.

Naveen Trivedi: Good morning everyone. On behalf of HDFC Securities, I would like to welcome the management of Crompton Greaves Consumer Electricals to discuss the Q3 FY19 results. We have with us today the senior management of Crompton Greaves Consumer Electricals represented 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 would now hand over the call to Mr. Shantanu Khosla for his comments. Thank you and over to you sir.

Shantanu Khosla: Thank you. Good morning. This is Shantanu here in our office in Mumbai with Mathew, Sandeep and Yeshwant. Thank you as always for joining in this call. I will make some overall comments and then we will take as many questions as time permits.

Starting first with our ECD segment, which over the quarter continued its strong growth trend, with the ECD business overall growing 16% in value terms. Importantly, in spite of all the cost pressures, our ongoing cost program which we talked about from quite a few quarters continues to deliver strong results. So, EBIT on this segment grew ahead of top line, with EBIT% of 19%. This growth was broadly based on all key parts of our ECD business.

Our fan segment continues to demonstrate strong growth and the latest retail market share data indicates that we are continuing to grow share, with top line growth on fans at 16%. This was driven by a number of key initiatives which we have been driving over the past few quarters, especially on the decorative segment, which actually delivered the volume growth of 47%.

Ourpumps business, the key Crest Mini initiative which we launched around a year ago is continuing to drive industry leading growth in this segment. Our total pumps volume was up 20%, and most encouragingly we are seeing that in the areas of the country, for example South India where Crompton pumps have been traditionally relatively weak, we are beginning to make significant inroads with the introduction of Crest Mini. Our two broad segments in pumps demonstrated strong growth. Our agricultural segment in pumps grew strongly as did our domestic pumps business. The agricultural pumps business delivered a volume growth of 44% and domestic pumps close to 20%.

The other key focus area for us over the last quarter was our geysers business as we talked about. The winter quarter is a critical part of the year for the geysers business and it was our focused choice to drive the same. As you are aware, we have completely revamped our entire geyser range, and we

delivered strong initial results, of course, there is a long way to go. Our total geyser volume was up 37% for the quarter and in value terms it grew about 30%. So, this was a strong beginning of our growth expectations from the geyser segment through the winter period.

Moving on to lighting. For Lighting overall numbers, at the top line there was a slight decline. However, very importantly the critical LED business, if we net out EESL, which as you are well aware is a lumpy business, the core LED business net of EESL grew in value terms by 18% over the quarter, which is bringing back strong growth into this segment from a top line point of view. Price erosion continues to happen in some key segments, especially battens and panels, and our LED ex-EESL business for battens and panels in terms of volume was up 38% over the corresponding quarter last year.

The other key area which we talked about in lighting, in the last couple of quarters was obviously the fact that due to the price erosion we were having a margin decline. And as we talked last quarter, we were doubling on our cost reduction efforts to restore margins to double digit levels over the next two quarters. I am pleased to report that these efforts are, if anything, ahead of track, and we significantly grew our margins on LED business on a sequential basis, adding almost 260 basis points, and this quarter itself we have restored margins to almost 9%. So, we feel comfortable and confident that with these continued efforts on cost reduction, we will get our margins in the not too distant future back to double digit levels.

Finally, on lighting, we have been talking in the past of how we bring value added items with meaningful consumer benefits and therefore start building value back in the LED business. We have recently commenced launching towards the end of this month and we will complete the national launch over the coming month of February, a truly unique new innovation in the lighting business. We have just introduced a bulb which kills up to 88% of the bacteria in the home, providing a healthy and safer home environment. Now, this is a really meaningful benefit, which truly improves the life of the consumer. It will lead to healthier homes and less illnesses as a real strong, add on benefit. This is based on the unique proprietary technology. It is being recommended by the Indian Medical Association, and we have commenced the launch of this product at a premium, but a premium of only about 15% to the base light. So, this is one of the innovative products we have been working on for a while, which we believe will be moving out in the future, supported by a very strong distribution and marketing plan, and will continue to help us accelerate our growth in lighting and also help us continue to build value in the lighting LED business.

Overall, we believe we have had a reasonably strong quarter. Our ECD business continues to grow at strong levels across a broad base of segments. We have managed to grow our ECD profits ahead of top line growth with our disciplined cost programs, and we are on track to restore our margins to target levels on the lighting business, while growing our core LED business, which now contributes almost 80% of our total lighting business, in high teens.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask your question. If you would like to withdraw your request, you may do so by pressing * and 1.
The first question comes from Mr. Chirag Shah from CLSA. Please go ahead sir.

Chirag Shah: Thank you very much and congratulations on the encouraging trend that we have seen on the lighting business margins. My question is around what has helped the lighting business margin? There were four pillars that you spoke about last quarter in terms of sourcing technology, sourcing strategy, backward integration and product design. I am sure each one of that would have contributed. But, going forward what are the levers that we see in terms of each of these areas, particularly in the context of the fact that price erosion still continues? And on that related question, can you also elaborate a bit on the Orissa opportunity and the new subsidiaries that you have incorporated?

Shantanu Khosla: Okay. First, in terms of what helped us on the lighting margins? The answer is all of the above. And it is not that one of the four dominates more than the other. What will help us moving forward? We still have opportunities in all four areas. Now, moving to the Orissa project. First, the project is a street lighting project in two parts of Orissa. The reason we have created an SPV to execute this, is simply because that was the requirement of the Orissa Government. Operationally, it goes on just like we do any of the other street lighting projects which we have done in the past for various municipalities or localities. We have obviously, a third party qualified EPC vendor. We have got a vendor who is highly qualified in supplying the poles. We supply the lights. So, it is pretty much operationally like we do any of these projects. The SPVis only because that was the requirement of the Orissa Government.

Chirag Shah: Sure. And one more question if I may, on the geyser side...

Shantanu Khosla: I am sorry Chirag. But, just to keep it fair, if we could just keep it to one or one and a half question and then we will come back if we have time. I am sorry.

Chirag Shah: Fair enough. I will join the queue. No problem.

Moderator: Thank you sir. The next question comes from Ms. Renu Baid from IIFL. Please go ahead.

Renu Baid: Good morning sir and congratulations on the strong results. Two questions from my end. First, if you could help us understand, overall you mentioned in the pumps category there was volume growth,What was the kind of value growth in the segment? And also, aligned with this, if you can throw some light in terms of, given the kind of competitive intensity, how is the pricing environment

in the market? Are we able to take the price hikes across fans and other categories? And also, what would be the kind of share of decorative fans segment or the premium fans segment in the total fans category as a whole today?

Shantanu Khosla: The first one was?

Renu Baid: Pumps....and if you can share the value growth.

Shantanu Khosla: Got it. Got it Renu. The pumps total category value growth was 14% to 15%. The reason for the negative mix was planned in conscious and that is because we are truly driving this superior value initiative called Crest Mini. But, the value growth also continues to be pretty much market leading, if you look over the last few quarters. On pricing in the market, it is always a bit of a challenge, given the competitive intensity. Now, that being said, if I look at what I am seeing from competition and ourselves, I think we are in a better position, because of the fact that we have managed to continue to grow margins, driven by our ongoing strategic cost reduction program. So, while most of our competitors are seeing margin reductions, we are in a better position competitively. And I think that will hold us in good stead. We definitely believe that we should be passing on some amount of the inflation costs to the consumer and we believe our products and the brand is strong enough to carry that. But, we will always ensure that we stay competitive in the market place.

Renu Baid: So, there is a small clarification here. You mentioned margins are delivered by cost actions, agreed. But, is there a contribution also of the GTM program which you are implanting in the ECD segment, which is actually also helping improvement in the gross margins or it is entirely product driven strategy?

Shantanu Khosla: The go-to-market program is not really focused on improving cost. What the go-to-market program is focused on is improving reach and distribution and therefore top line.

Renu Baid: Sure. Thank you so much sir and all the best. I will get back in the queue again. Thanks.

Shantanu Khosla: Fair enough.

Moderator: Thank you ma'am. Participants are kindly requested to restrict with one question in the initial round and join the queue for further questions. Thank you.
The next question comes from Mr. Nitin Awasthi from Edelweiss. Please go ahead sir.

Shantanu Khosla: I think he is not on the call, so maybe we can just move on to the next question.

Moderator: Yeah, sure sir. The next question comes from Mr. Indrajit Bhartia from Macquarie. Please go ahead.

Indrajit Bhartia: Hi, thanks for the opportunity. If I look at the ECD segment, you did share some volume numbers for some segments and they all look very encouraging, close to 20% plus. But, if I still look at the ECD growth, which is at 16% and I benchmark it with some of the industry leaders, either for this quarter or for the first nine months, we are still some distance away from them. Do we think we can kind of grow at 20% or something like that or is the market growth? Sir any comments on what is the underlying market growth in the segment that we are present in? That would be truly appreciated.

Shantanu Khosla: One thing that we need to look at for ECD of different companies, is the actual businesses which comprise the ECD segment, and that they are significantly different for different companies. One common business obviously, one large common business which floats in every one of these ECD is fans. And I think in fans plus minus we are growing at about the same levels as key competition and this is reflected in the fact that the retail audit data indicates that our market share is growing. Now, if you start breaking it up into others, then for us, for example, the next biggest segment is pumps. Now, very clearly in pumps, we are among the fastest growing by quite a distance, especially compared to some of our leading competitors. One of the other area obviously where we do not play so significantly is areas such as personal electric items, water purifiers etc. So, I think it is important if you want to understand the differences, to really break out what are the key parts of different people's ECD business. I think the second part of your question which is, can we get to 20% growth in ECDs? Yes, I think we can. Now, that is not going to come just because of market growth, because the markets are not growing at that rate. But, I think it is a combination of our product innovation and driving our go-to-market broader and across more geographies.

Indrajit Bhartia: Got it sir. Just one, is it possible to share geysers volume, the actual numbers, revenue numbers?

Shantanu Khosla: We don't normally share that. But, whatever we can share, if you want more details, do feel free speak to Yeshwant after the call. But, we don't normally share that specific level by segment.

Indrajit Bhartia: Thank you.

Moderator: Thank you sir. The next question comes from Mr. Niket Shah from Motilal Oswal Asset Management. Please go ahead.

Niket Shah: Thanks for the opportunity. I just had two questions. First, on the ESOP part of it, what would be the ESOP cost for this year and next year? I presume this year you had lower ESOP number as compared

to the last year. So, how much of that has been benefiting in terms of margin? And the second question was on the margin of the ECD business, which sequentially has kind of come off. I was just trying to understand that if geyser is a very large proportion of revenue in the third quarter, logically geyser margins are higher than the blended margins is what my assumption was. So, if you can just correct that, then that would be very helpful.

Sandeep Batra: So, on ESOP our cost this year will be about 36 crores. Last year, it was about 54 -55 crores. Next year from the 36crore level, it will become about 24 -25 crores. As far as the blended margin is concerned, yes, geyser margin maybe higher, but that is still a very, very smallshare of our ECD business. ECD business is largely fans and pumps, and as we mentioned, in pumps, our drive has been to expand the market, leveraging the Mini Crest range of products, so that is not something which is margin favorable. But, overall I think given whatever efforts we have taken to improve our cost structure, our margins are better.

Matthew Job: It is better than the previous quarter. Versus last year it is down, but versus last quarter, the sequential margins are actually up by almost 270 bps at gross margin level.

Niket Shah: At the gross margin level. But, I am just trying to understand on the EBIT margin per se, while geyser has higher margin, Crest Mini has kind of pulled up a little bit and hence the blended is at 18.7 as such.

Shantanu Khosla: Yeah.

Niket Shah: Okay, understood. Thanks so much.

Moderator: Thank you sir. The next question comes from Mr. Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: Thank you sir. Congratulations on a good quarter. My main question was on the decorative fans. So, you highlighted the high growth in that segment. So, I wanted to understand the gaps in your portfolio in terms of the salience of this segment in your fan segment versus the overall market. And is it basically about the large number of product launches here or it is more about geographical expansion here?

Matthew Job: Yeah, in decorative fans of course we launched an entirely new range of fans at the beginning of this fiscal year and that obviously has helped in driving strong volume growth, not only in this quarter, but also in the previous quarters. But, if we look at decorative plus premium in total, I would say the products which are primarily selling to the consumer at around Rs. 2,200 and above, in our overall

portfolio, it would be roughly a quarter **of** our sales and in the market we estimate anywhere between 15% to 20%.

Arnab Mitra: Okay. Thanks. That is it from my side.

Moderator: Thank you sir. The next question comes from Mr. Venkatesh from Citibank. Please go ahead sir.

Venkatesh: Yes sir. One is just a small data question. What was the advertising spend in the current quarter and what was the spend in the previous quarter? That was one data question. At a broader level, the question is, based on the data you have shared; it looks like across categories, across segments, your volumes have grown very, very strong. But, your value growth is much, much lesser. So, is this like a conscious strategy by Crompton consumers that you will cut prices and grow your market share similar to what you did at the start of the price wars in the LED segment?

Shantanu Khosla: The very clear answer to that is no. The differences come out for specific strategic choice reasons. Let me clarify one point of data which may help on that. In case of fans, our value growth for the quarter is a few points ahead of our volume growth. In the case of geysers, our volume growth is higher than value. The reason for that is that, in the case of geysers, we had a much greater opportunity in the instant geyser segment versus storage, and the value per unit of the instant geyser is lower. . In the case of pumps, if you recall, about eighteen months ago we were seeing competitive threats and frankly also an opportunity to get into the mid-tier, where we were not present, which is one of the reasons why we were weak in the South. So, it was a specific strategic choice to drive the mid-tier, which has led to the difference in the volume, value on pumps. So, it is absolutely not, "let me cut price" approach at all, because we have actually, on an item by item level, not cut price anywhere.

Venkatesh: Okay. Sir, the advertising spend in the current quarter and the previous quarter sir.

Sandeep Batra: So, in the second quarter, it was 9 crores, advertising and sales promotion, and in this quarter, it is 23 crores.

Shantanu Khosla: Let me just make one comment. I just want to make one comment for perspective on advertising. Our advertising varies from quarter to quarter, basically based on two things. One is, in the season we advertise more obviously, for products like fans, with a significantly higher spend in seasonal months and significantly lower in other months. The other key factor which adjusts the timing of our advertising is when we have new meaningful innovative initiatives. So, for example this anti-bacterial bulb, which we have just launched, because we are launching it now, we did not advertise

lighting in the last quarter, but obviously in the quarters to come, you can expect strong levels of advertising on this initiative. So, these are the two factors which will affect the quarter to quarter levels of spend on our advertising.

Moderator: Thank you sir. Sir, shall I take the next question?

Shantanu Khosla: Yes, yes.

Moderator: The next question comes from Mr. Jay Kakkad from Ambit Capital. Please go ahead sir.

Jay Kakkad: Yeah sir thanks for taking my question. Sir, I just wanted to understand, our segmental numbers are a little better. There is a decrease in net allocable expense, why would that be? Also, is the increase in the capital employed mainly to do with the reduction in credit in this quarter also?

Sandeep Batra: The increase in un-allocable is largely because of higher treasury income, which has reduced the un-allocable expenses, and for the increase in capital employed as compared to the previous quarter, we have increased our early payment to our vendors by nearly 70 crores. If you compare it to the same period last year, it is up nearly 250 crores. So, we have paid vendors before the due dates at reasonable discounts.

Jay Kakkad: Okay. Sir, this GTM initiative, would it not impact our working capital or it would be working capital neutral over the next two years, just wanted to get it?

Sandeep Batra: It will be working capital, if anything positive, because most of the distributors that we are appointing, they are all operating on cash and carry terms, as opposed to 42 days of credit that we were giving through the normal channels.

Jay Kakkad: And will there be any point in time say, in the next one or two years that you will have to reduce wholesaling significantly, at least in the speeder markets like Mumbai?

Shantanu Khosla: Not necessarily. Again, if I think back over my experience over the years of having done this even in FMCG, there is still so much reach opportunity available in this country, in smaller towns, un-serviced areas, that the wholesale continues to stay a critical segment for supplying that. So, these three channels, if you will, the distributor, large retailers and wholesalers will all be important channels for us and we anticipate that all of them will grow, maybe at different levels.

Jay Kakkad: Okay. Thank you so much for answering the questions.

Moderator: Thank you sir. The next question comes from Mr. Deepak Krishnan from Goldman Sachs. Please go ahead sir.

Pulkit: Sir, this is Pulkit from Goldman. Sir, could you just give us an update on the go-to-market strategy in terms of rollout? What are the geographies? What have you been able to achieve? and in terms of expected timelines by which we think we would have completely achieved the objective?

Shantanu Khosla: Okay. The end part which is the timeline by which we will ultimately complete this program is, frankly in a country like India, never, because there is always opportunity to keep growing. Where are we today? We are fully implemented and by that I mean the IT systems, the data, plus everything else, in about 25% to 30% of the West. And in the other places there are different levels of implementation, but this is where we are kind of fully implemented. In the areas where this go-to-market has been implemented versus areas where it has not been implemented, we are growing about 5% to 7% ahead in terms of top line. We will keep, as I have always said, pragmatically, sensibly, sequentially expanding this. We expect to roughly have 70% to 75% of our current base covered over the next twelve to eighteen months.

Pulkit: Sure sir. That is useful.

Moderator: Thank you sir. The next question comes from Mr. Kunal Sheth from BNK Securities. Please go ahead.

Kunal Sheth: Yeah sir, thank you for the opportunity. Most of my questions have been answered, just one question. Where does our market share stand in the fan segment and how has it moved over the last say, nine months?

Shantanu Khosla: If we look at the retail audit share data, our latest data point is November. In the month of November on ceiling fans value share, we are about 1½ point up year on year. On year to date basis, if I look at the same data, we are about a point up. We are still very clearly the market leaders.

Kunal Sheth: Okay, where would we stand in terms of market share, any sense on that?

Shantanu Khosla: We are very clearly the market leaders and number one. Now why I am hesitating to give you an absolute number is because if I look at shipment share, I get a number of about 26%-27%. If I look at the retail audit share, I get a number of about 24%-25%. But either way it is growing, and we are still clearly the number one.

Kunal Sheth: Sure sir. Thank you so much and best of luck.

Moderator: The next question comes from Mr. Venu Gopal from Bernstein. Please go ahead sir.

Venu Gopal: Hi, thanks for the opportunity. Shantanu, I just wanted to know, given that innovation is one of our key strategies eventually to drive growth, and we have been trying a lot to launch new products for the last two years, how truly innovative are these products? And are these incrementally going forward patentable and you can stop competition from launching similar sounding products? And number two is, when you actually launch these products, when you mean innovation, these are actually new for India. But because when I look at international markets, there seems to be such products already existing in US, same was the case with anti-dust fans, there is a US company which used to have it a couple of years back and same thing with the antibacterial lighting. So, when you develop these products, from a point of view of you being able to differentiate with the existing products internationally, you use a different technology altogether, which you are able to sort of protect yourself with in terms of patents? So, I just wanted to understand the construct around that or is time to market more critical for you than the innovation itself?

Shantanu Khosla: Okay. Let me take antibacterial as an example. First, in the case of antibacterial we have patents in application. So, there are some areas which are patentable and those are currently in application and obviously the process of patenting takes time. Your second point is, the speed to market and owning the idea first, that is also obviously a critical factor and a good example of that is anti-dust. Nearly everyone launched the anti-dust after us. But, today in the market place, there really is only one anti-dust and that is Crompton. The second point you made that how innovative are these products truly? In this anti-bacterial bulb, the fundamental technology does exist, however, this technology today in the West tends to be used in operating theaters and it costs about 500 dollars a bulb. I think where the innovation came in and this was largely in-house innovation from our R&D folks, is the ability to take that technical concept or proof of concept and deliver the same functionality at a price that is only 1 dollar 50 cents; 15% more than an LED bulb. That required a lot of innovation. It wasn't easy working with vendors, our folks worked with universities in Glasgow to get it. That is the sort of network which I have talked about before. So, that is truly innovative. Because, I don't think we would have had much success with the 500 dollars specialty bulb in this case. So, we aspire to have two streams of this innovation. One is, what we see as breakthrough innovation, things that can truly change the game. And the second stream is what we have done for example on decorative, which led to the growth of the decorative, which we sort of call sustaining innovation, with the modifications, meaningful ideas, better looking stuff, more reliable stuff etc. Crest Mini I would call sustaining innovation. So, that is sort of how we think about it.

Venu Gopal: Thanks. This is really helpful. Thanks a lot.

Moderator: Thank you sir. The next question comes from Mr. Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Hi, good morning sir.

Shantanu Khosla: Good morning.

Aditya Bhartia: Sir, as we are implementing go-to-market strategy in other regions, should we be expecting some sales disruption happening or do you think that things are now normalizing, and the company can continue growing at the pace in which it used to grow earlier?

Shantanu Khosla: In the last six to nine months, we have learnt a lot on how best to execute this in the market place, so you minimize channel conflict. So, as we look forward and expand, I do believe we will expand in a manner that truly minimizes the disruption based on those learning.

Aditya Bhartia: Okay. And say, that is the case, then should we be expecting Crompton to be entering into a new category, new product category or looking for some kind of activated growth with the base business now stabilizing?

Shantanu Khosla: The answer is yes. Now, obviously as I have talked before, at this point in time our primary approach to enter a new category is inorganic. However, like you folks are probably aware better than me, an inorganic deal is something which is not really necessarily in our control. First, there has to be a willing seller, the business has to make strategic sense for us, then the value has to be right for both parties. So, it is difficult to commit as to when it is or when it isn't. But, it is very clear that over the next period of few years, we have to make a successful entry one way or another in a new category.

Aditya Bhartia: Sure, understood sir. That is it sir. Thanks.

Moderator: Thank you sir. The next question comes from Ms. Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Hi. My first question was on lighting. Could you share any thoughts on what could be the size, timeline and profitability of the street lighting projects that you have got?

Matthew Job: The Orissa street lighting project has, I would say margins in the mid teens. I think it is a fairly reasonably profitable project. And the timing is going to be over the next four to five months.

Latika Chopra: Okay. And any sense on the size?

Sandeep Batra: It will be about I would say 10% of the annual lighting business.

Latika Chopra: Thank you. That is helpful.

Moderator: Thank you ma'am. The next question comes from Mr. Rahul Gajare from Antique Broking. Please go ahead sir.

Rahul Gajare: Sir, most of my questions are answered. I think what remains is, while LED you have given a detailed growth. I wanted to know how much of EESL order still remains in the backlog for you all? And what are the EESL shares in this particular quarter?

Matthew Job: EESL in the quarter that has just passed, there has been a significant decline in the EESL business. So, it has dropped to almost 50% of what it was in the same quarter, in the previous year. In this quarter we have approximately 50 crores of order that needs to be serviced. That is the order bank. How much of that will get executed also depends on the schedule that finally EESL asks us to deliver on, but the total unexecuted order bank, we expect will happen in the next three months, about 50 crores.

Rahul Gajare: Okay. So, this will get executed in the fourth quarter basically?

Matthew Job: Fourth quarter and some of it could spill a little bit to April, but that depends on the schedule that finally EESL asks us to deliver again.

Rahul Gajare: Okay. And this particular quarter how much was EESL, because the backlog in the end of previous quarter was 35crs?

Mathew Job: 27 crores. 27, yeah, down from 43 in the corresponding period last year.

Shantanu Khosla: It was almost half of what it was in the same quarter in the year before. And we understand that, because EESL business we always have to look at it separately, because it is by definition lumpy.

Rahul Gajare: Sure. Right sir. Thank you very much.

Moderator: Thank you sir. The next question comes from Mr. Rahul Ranade from Goldman Sachs. Please go ahead.

Rahul Ranade: Hi sir. I actually missed the volume terms numbers for the LED business which was net of EESL. So, I believe the value growth was 18%, right?

Shantanu Khosla: Volume is 30%. Because, while price erosion has moderated on bulbs, as I think we have talked over the last couple of quarters, price erosion on battens and panels continues.

Rahul Ranade: Okay, got it. And sir, could you talk a little bit on the coolers segment for the upcoming season?

Shantanu Khosla: Obviously it is the key season, and obviously we have some key programs lined up. There are just two things I would like to put to context. Number one is, given the way the cooler season was last year; there is a lot of inventory which is carried forward through by the trade. And that is across the entire industry. So, that may have an impact. The second thing is, at least in Mumbai I feel it, we are having a pretty cold and extended winter, so I do expect that also to cause somewhat of a delayed season in coolers. But, our programs are lined up. Obviously, it is going to be a key area of focus over the next quarter. How that pans out, we will talk at the end of the summer quarter.

Rahul Ranade: Sure, sure, alright. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Amar Kalkundrikar from HDFC Mutual Fund. Please go ahead.

Amar Kalkundrikar: Hi, thanks for the opportunity. Sir in connection with GTM you made two points. One is that you have implemented in about 25% to 30% of the West region and plan to take it to 70%-75% of total business in about next twelve to eighteen month, right?

Shantanu Khosla: That is right.

Amar Kalkundrikar: So, at anational level, how much would be implemented right now? 20%-25% is of West.

Shantanu Khosla: Call it about 8% to 10%.

Amar Kalkundrikar: Okay. And then you sound very confident about managing the channel conflict and disruption going ahead. But, can you give us some more data on what is it that is helping you to mitigate these issues?

Shantanu Khosla: Really, it is about recognizing that each channel has a role, recognizing that the existing channel's business needs are to be structurally, in terms of trade, protected and thinking about how you appoint the right type of distributors at the right programs. Really what we want and which we believe is wasteful, and we have seen that, and it drops out is, people who are really not servicing either the consumers; but people who are essentially doing a business in price arbitrage. Like Crompton in Delhi to shift it to Hyderabad, that is just inefficient. So, the last thing which we have learnt is the importance, so that is why we are being careful, the importance of getting the data systems in place. So, we are actually able to partner with each of our customers and understand exactly how their business is doing. All of this together helps us. You will never eliminate channel conflict but minimize.

Amar Kalkundrikar: Okay. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Baidik Sarkar from Unify Capital. Please go ahead.

Baidik Sarkar: Thanks for the opportunity gentlemen. Shantanu, if you could give me a sense of the factors that are really driving this outperformance in the pump segment? I am sorry if I missed this in your opening remarks. And you have actually given the small segment in which you operate with....it is a little to do with a lot of unorganized sector players. So, what exactly is leading to our success here?

Shantanu Khosla: In pumps, there are two things. One, in terms of our base business, I am not talking about Crest Mini, our base domestic business; we actually have an outstanding product in terms of performance. Our product is one of the best products for the basic pumps across its range. And that does make a difference. The second thing is, in the case of pumps, in our strong geographies which tend to be the East and the North; we have one of the strongest set of channel partners. And what happens in pumps, a little bit distinct from all our other businesses, the role of the channel partner in terms of selection of the type of pumps, you need a half horsepower or 1 horsepower, the role of the channel partner in guiding the installation of the pump, which really affects its reliability and the performance, all this becomes much more important. So, the channel partner we have in pumps are really, really critical. Finally, in terms of the Crest Mini, I think it was a great example of identification of a certain segment of consumers. And what we saw and I will just tell you this very briefly is our regular pumps; let us say could pump water upto 20 meters. Now, there was a whole segment of consumers who did not need water pumped 20 meters. 10 meters was good enough for them. So, we were able to deliver this 10 meter pumping capacity pump at obviously a far more efficient cost. But, from that consumer point of view, there was no difference in performance. And that is what enabled us to truly, in that segment also become a superior product and competitive. So, I do believe that it starts with

the product and the product performance supported secondly, by great channel partners. And as we are trying to strengthen ourselves in areas traditionally where we have been weak, but frankly we have much more local competition, like areas in the South, it is these two things which we are focusing on, which is helping us get still relatively a small share position, but wonderful volume growth, which is from our perspective great, because we are getting the Crompton brand out there into their homes.

Baidik Sarkar: Lovely, thanks. Shantanu, so what kind of volume growth are we looking at or have we achieved this year in the pump segment? And you have given that it has been a good year. Are we potentially staring at a high base effect as we get into the next season?

Shantanu Khosla: The pumps volume growth was 20%. Are we staring therefore at a high base or a low base? I guess that is part of the challenge. The base is the base. So, we have to keep growing faster than the market, whatever our base is.

Baidik Sarkar: Okay. Fair enough. Thank you gentlemen. All the best.

Moderator: Thank you sir. The next question comes from Mr. Nishit Jalan from Kotak. Please go ahead.

Nishit Jalan: Sir, I have two questions. Firstly, just wanted to get some sense on the fans and pumps industry as to how much of the industry demand is coming out of new demand and how much is replacement? And secondly, we have seen a lot of decline in the commodity prices off late, do you think that we will be able to retain a part of it and which will reflect in better margins or do you think that because of competitive intensity, especially in the pumps and lighting segments, a large part of that would be passed on to the consumers?

Matthew Job: So, I think if I look at the replacement versus the new demand, our overall estimate is both in fans and pumps, I think more than 80% to 85% of the demand is actually new.So when somebody moves into a new home, because the replacement cycles are still very long. So, I think whether it is 80% or 85%, suffice to say that the big part of the market is actually new points. So, that is one. The second question was on?

Sandeep Batra: Second is, the commodity cost have they fallen? We have not seen any impact on our material bill or any commodity cost coming down. Little bit, yes, some softening may have happened. But, that has been in some sense offset by whatever impact of was of the currency, if you look at last quarter versus the same period last year. So, overall index of inflation for us in Q3 has remained same as Q2. Whatever may have softened has been offset by currency.

Matthew Job: As Shantanu mentioned before, in terms of passing through the market, obviously we have to be watchful of also competition action, because we need to remain competitive in the market. But, as you have seen in the past many quarters, we have managed this kind of pass through as and when required pretty effectively. This is the reason why I think in terms of profit performance compared to most of our peers, we have been delivering reasonably well.

Nishit Jalan: Sir, just one quick follow up on fans, when you say that the new demand is so high, then ideally the seasonality in the business should be much lower, right? But, in fans what we see is that the first half of the calendar year, the seasonality is very, very high, because if it is new demand, the demand will depend more on the finishing of the construction or rather than the summer season or winter season in that sense?

Matthew Job: The question is if somebody is moving into a home in November-December in Delhi, either the fans are already fitted in or it gets fitted at the most required times. So, the seasonality still remains, because, if you actually look back and actually try to link the fans industry growth, the biggest correlation is actually the construction rather than to the mere GDP growth; which is why in the years when the construction was the best, construction growth was the best and industry was growing more in total 10%, while the industry growth now is in single digits, in low single digit actually.

Nishit Jalan: Okay. So, what you are trying to say is that in the first half of your calendar year between January to June, would account for roughly what percent of the overall fans annual revenues?

Shantanu Khosla: 60%. About 60%.

Matthew Job: January to June, he is talking about calendar year.

Nishit Jalan: January to June, yeah.

Matthew Job: Yeah, yeah.

Nishit Jalan: Yeah, thanks.

Shantanu Khosla: We are done?

Moderator: Thank you sir. That will be the last question.

Shantanu Khosla: Thank you all. Appreciate you investing the time, because it is, as I have already stated it is our intention to try and help and be as transparent as we can. So, you can better understand our business. As always if you guys, folks have any more questions, I think you are free to call us. And we will happily share with you whatever is appropriate. Thank you so much.

Moderator: Thank you sir. Ladies and gentlemen this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

