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: June 7, 2019

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.
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Our Reference: 24/2019-20	**Our Reference: 23/2019-20**

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 March 31, 2019, kindly find enclosed the transcript of the same, held on May 22, 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 Greaves Consumer Electricals Limited Q4 FY2019 Earnings Conference Call"

May 22, 2019

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

Management: Mr. Shantanu Khosla – Managing Director - Crompton Greaves Consumer Electricals Limited
Mr. Sandeep Batra – Chief Financial Officer - Crompton Greaves Consumer Electricals Limited
Mr. Yeshwant Rege – Vice President, Strategy& Financial Planning - Crompton Greaves Consumer Electricals Limited

Moderator: Ladies and gentlemen, good day and welcome to the Crompton Greaves Consumer Electricals Limited Q4 FY2019 Earnings Conference Call, hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Renu Baid from IIFL Securities Limited. Thank you, and over to you!

Renu Baid: Thank you, Inba. Good morning, everyone. On behalf of IIFL, I would like to welcome you all to the Q4 FY2019 earnings call of Crompton Greaves Consumer Electricals Limited. Today, we have with us the senior management represented by Mr. Shantanu Khosla, Managing Director; Mr. Sandeep Batra, CFO; Mr. Yeshwant Rege, Vice President, Strategy and Financial Planning. Without taking much time, I would like to welcome the management and hand over the call to Shantanu for his comments and opening remarks. Thanks, and over to you, Sir.

Shantanu Khosla: Thank you, Renu. Good morning, everyone. First, I am sorry we are a couple of minutes late. We had a little bit of a technical problem.

So without further ado, let me just dive straight into an overview, a set of comments, and then as usual, we are happy to take as many questions as you may have.

I will just get straight into the details by segment first and let me first talk about our ECD segment. Now, we are quite happy with our overall ECD performance where we grew to 10%, this was in spite of, as you are most are aware, a delayed onset of summer and quite an extended winter which to some extent has impacted the seasonality. The growth was really driven by all subsegments within ECD. While our gross margins in ECD this quarter are pretty much in line with the previous quarter, they are lower than the same quarter in the previous year. This is largely due to the impact of commodity prices, and given the relative downturn in the market, we were not really able to take a planned price increase. That being said, our continued efforts on driving cost out of the system and also the fact that commodity prices are now easing, makes us feel quite confident that this dip in margin is relatively temporary, and we should recover it soon.

We have had a significant focus towards the back end of the quarter on driving some significant, meaningful new innovations. In the Fans business, we put in 3 major innovations, all of which we believe are unique to the industry and should, overtime, generate significant incremental demand. So first and potentially

largest is our "Aura Fluidic" ceiling fan. Now this is a first-in-industry where we have not only ramped up and improved the aesthetics, but more importantly, we have reengineered the entire fan to make it significantly more durable and reliable than any other fan in the industry. In fact, so much so that we are at a confidence to offer first-in-industry 5-year warranty on this fan as compared to normal industry warranties of 1 or 2 years. This will also continue to drive Crompton's equity of reliability and durability.

The second key innovation was a very nice one, a specialty fan designed specifically to deliver focused air, which we are initially marketing towards usage in areas like the kitchen which is what we call the "Air Buddy", which is a premium unique-design unit.

The third key initiative and innovation we put in, is a fan called "V-sense". This fan is designed specifically for geographies which has voltage fluctuation. We have a unique design here where we have designed a control system which ensures that even if the voltage drops to 140 volts, the fan speed and therefore the airflow is maintained. All our 3 initiatives went in at the back end of the quarter, initial progress and results, trade acceptance and to some extent, consumer acceptance are all positive for all 3 of these initiatives. We have also commenced significant marketing and advertising support specifically behind the Aura Fluidic initiative to drive awareness and conduct trials among the consumers.

Over this quarter, we continued to sustain good growth on our geyser business, especially in the first half of the quarter while the winter season was still progressing. This essentially continues the progress we have been having on geysers post our revamp, redesign and relaunch of the entire range in the past. Importantly, we have also seen, towards the back end of the quarter, continued growth in our air cooler segment as we have launched a new desert cooler range, which is having a significant impact, especially in the northern region which is the key market for this segment.

As we are looking out, we do see that the slower growth rate due to seasonality as something very temporary, and as we are seeing our early business performance going into the first quarter of this year, we are clearly seeing growth rates at a significantly higher level than what they were.

Also, importantly, even though there was a hypercompetitive scenario especially in the area of fans, and our new go-to-market trength and as we are deploying that, we did not, in anyway, increase our incentives or scheme, and we have

entered a new quarter with absolutely normal levels of paid inventory across this business, and that is reflecting in how our business is doing as we enter this current quarter.

We continue to have strong performance in Pumps as we have been having for the past few trailing quarters. The growth continues to be driven really by 2 key areas. One is, the initiative of Crest Mini, which we have been talking about for a while. This is now particularly showing encouraging results with high double-digit volume growth in areas where traditionally we have been underdeveloped in Pumps, such as South India. Our agricultural segment also continues to perform strongly, and as we have talked before, this is an important focus area for future growth for us. In this quarter, our Agri segment grew by 20%.

Moving on to our Lighting segment, where overall, the top line was more or less flat. Let me sort of break that down for you. First, if you look at LED Lighting, net of EESL, our LED Lighting business grew in the quarter by 11% in value terms and about 25%-plus in volume terms. Out here, importantly, as we have been talking for the last two quarters, we have fully recovered our margins with an aggressive set of cost and design optimization programs, and we are back now to what we have always seen as the growing level of margins in Lighting of double digits. This quarter, our margins were about 11% in Lighting.

In Lighting, we are now also seeing a moderation in the price decline in the B2C segment, largely in the bulb segment. The price decline seems to have flattened out in this segment, but we still continue to see some amount of price erosion in battens and also in our B2B segment.

As we look forward in Lighting, now that we have our margins back to what we believe is a right and growing level, our focus really is to get back to overall strong topline growth over the next few quarters. There are a few things that we are doing to help drive that. First, of course, just in terms of arithmetic, our LED business is now about 85% of our total lighting business. So, the traditional Lighting business which has been consistently declining at about 30% quarter-on-quarter, now starts becoming a smaller and smaller part.

Secondly, a key focus for us now is to strongly drive the B2B segment of our business which represents about 50% of our Lighting business. In order to do that, we have invested significantly in our capabilities here. Firstly, we have created a new role of a separate national B2B sales manager and staffed it appropriately. Under him, we have now created a dedicated Lighting B2B national go-to-market infrastructure. This also comprises of, for the first time, a series of

key account managers who will focus on managing large customers where we see significant potential for the B2B business.

We have also invested in technology and we have equipped this new sales force with 'salesforce.com', which is going to enable them to operate on a more consistent basis in terms of tracking and delivery to better meet their key customer needs.

The second key area is obviously innovation in the B2C business behind which we will keep driving more and more distribution. Our key initiative, and this is truly something which we believe is unique and absolutely first-in-the-industry pretty much anywhere, is the "Antibacterial light bulb" which we introduced at the back end of last quarter. This bulb is a unique design, a design which we have developed in-house working with some key partners, a design for which we have patents in application. What this does is, while providing you everything you want from a light bulb, it also kills up to 85% of bacteria. So, it is simple, it is just something that makes your home purer and healthier. We are charging about 15% premium on this, and this is part of our strategy of continuing to provide consumer-meaningful, value-added and distinctive propositions to rebuild the value of the Lighting category. Initial results of this are strong. We are driving distribution visibility, and importantly, we have significantly stepped up advertising expense, including, as you will see in the coming quarter, we will be advertising and investing behind the World Cup on this and on our Fans initiatives.

In terms of go-to-market, we are continuing, we believe, to reap benefits in terms of greater availability and greater productivity among dealers. We are expanding our tally patch to more and more customers which is giving us real online data of secondary sales. We believe this is important, and this is one of the capabilities which has enabled us to manage the winter season on Fans, without resorting to decked up schemes and has allowed us to maintain and monitor inventory levels and trade at normal level.

Secondly, we are also in the process of expanding a dealer portal which provides connectivity between us and our dealers to improve our service and the visibility of our service to the dealers. This is also in the process of national rollout and has had a strong positive feedback, as we are expanding it.

Net, overall, we feel we are now in a good position to continue to drive market-leading growth in the ECD segment and over the quarters to come, restore topline growth in Lighting at a profitable level.

The final thing I'd just like to comment on and for this, I will hand over to Sandeep. As you are aware from our accounts which we released post our Board meeting yesterday, we had a onetime write-back of about Rs.28.5 Crores on tax. I will just hand over to Sandeep to explain to you what this is, why it is and what are the ongoing implications of this.

Sandeep Batra: Good morning, everybody. Just to give you a bit of background on this tax write-back. At the time of the demerger, there was goodwill of about Rs.779 Crores which was reflected in the books of Crompton. Now as per the existing accounting standards, this goodwill is tested for impairment and no amortization is required. However, in the tax books, the company claimed it as an allowable deduction. However, given the uncertainty regarding the admissibility of the same in the tax assessment, the company continues to provide in the books as well as pay its advanced taxes without considering this benefit.

In the last quarter, the company got an assessment order when the first assessment under Crompton Consumer post the demerger was completed, and the claim of amortization of goodwill was upheld by the assessing officer. And therefore, that resulted in a tax benefit of Rs.28.5 Crores relating to the financial year 2015-2016. Hence, we had to reflect it as a credit in the current tax.

Now the stand that the company has taken based on advice of experts is to recognize credit for this refund only on completion of assessment as a fair amount of uncertainty still prevails and we cannot recognize the results of future years simply based on one assessment which has been done. So, as we go forward, and we get subsequent year's income tax assessment orders, if this claim of amortization gets upheld, then it will reflect as a credit in the tax books because for FY2016-17, 2017-2018 and for the year just gone by, 2018-2019, we have not considered this while computing tax. And just to give a sense of what would be the limit if we were to be getting this admitted in the assessment order, for the next year, which is FY2016-2017, the credit could be around INR 55 crores. For the subsequent year, it could be about Rs.45 Crores. Essentially, it will diminish by about 25% every year. So that is a background. And over the full period, because the amortization in the tax books happens at about 25% on reducing balance, the total benefit would be about Rs.250 Crores.

Shantanu Khosla: Okay. Thanks. That is kind of all we had in terms of our opening statement and some amount of clarification on the tax matter.

With that, we are open to questions.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. Our first question comes from the line of Baidik Sarkar of Unifi Capital. Please go ahead.

Baidik Sarkar: Good morning gentlemen. Thanks for the opportunity. Two broad questions. The 14% Y-o-Y growth that we have seen this year in the ECD segment was, I think, largely driven by a combination of our leadership in housing Fans and new Crest Mini doing well, and of course, the effect from competitors. Do we run the risk of having exhausted the benefit of the low base in the last two product categories? And therefore, run the risk of a lower blended growth than what we experienced last year? Our growth could still be category-leading, but it could be still lower than what we have seen this year. Your comments, Sir?

Shantanu Khosla: Let me split my comments by subcategory. First, Appliances, where you have mentioned geysers. Well, if you look at total appliances, we are actually quite small in terms of share, and our focus, like we said, started with geysers and in the summer is moving to coolers. And then, of course, we have small appliances. So as far as our appliance segment goes, I actually I see it the other way around. We have significantly more potential moving forward than we have actually delivered in the past.

When we come to Pumps, I think there are two aspects of potential in Pumps, one is a strategic choice which we have always talked about, and that seems to be consistently delivering where we are relatively underdeveloped, which is the Agri segment.

The second, which is also important to note is that, though in residential pumps we are market leaders, if you start looking at it by region, this is really driven by dominant leadership positions in the East and the North. We are relatively underdeveloped even in residential pumps from a share point of view in South and West which is why Crest Mini actually has a long-term strategic role for us, and initial results of its first year are positive in terms of getting fresh air in these underdeveloped regions.

Finally, let me come to Fans. I think driving innovation across the tiers, not just in the premium tier, which is obviously more critical, but across the tiers still has significant upside potential. So we do not see any diminishing potential in Fans at least for a few years ahead. We also expect, for example, like we mentioned before, in Fans, there is a high correlation with housing start-ups. We do expect housing start-ups to gradually, over time, only continue to increase, and urbanization increase. So we do not see, if you will, a hockey-stick opportunity,

like we see in some of our other categories but we do not see any diminishing potential in Fans either.

Baidik Sarkar: Thank you.

Moderator: Thank you. We will take our next question comes from the line of Bhavin Vithlani of SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: If you can highlight on Fans in specific and breakup into what was the eco growth and the eco range, the premium range and the premium eco range, and how do you see the growth going forward? And continuing on that, we have seen some soft growth by the ECD players because of extended winter and they are now speaking about strong growth in the first quarter. So your views on that will be helpful.

Shantanu Khosla: Firstly, in this quarter, overall on Fans. Fans were kind of in line with total ECD growth. We do not give specific numbers by subcategory, but it was kind of in line. Secondly, if I look at top, mid and low, our growths have been about consistent across all 3 segments, and I think that this is very important. The reason that it is important is, because if we look at the competitive context and all our competitive players in Fans, they tend to either have strengths in the top end or they tend to have strengths at the bottom end. One of the reasons we are market leaders is because we, after about 3 years of driving a premium program are reasonably strong and cover all the segments. Which is why, for us, we do expect a disproportionate level of growth to come from premium, which is why we launched innovative fans such as Aura Fluidic or AirBuddy. Having said that, it is equally important for us to continue to innovate.

For example, one of our key success drivers in the mid-segment over the whole of last fiscal was actually our mid-segment Déco fan and now the 'V-sense', because that is our competitive strength really, and we will keep innovating in these segments. We expect that we will have a higher growth level in the premium end, but we will innovate and grow at in all segments to maintain our leadership.

Moderator: Thank you. We will take our next question from the line of Venkatesh Balasubramaniam from Citibank. Please go ahead.

Venkatesh B: Yes. Sir, can you please share what was the revenue growth in each of the categories in the electrical consumer durable segment? For example, Fans, Pumps and appliances. What was the revenue growth for the full year?

Shantanu Khosla: So the full year, what was ECD?

Venkatesh B: Not ECD. ECD growth is 15%...

Shantanu Khosla: I understand. I understand. Okay, in ECD, the total subcategory was 16% for the full year. Each subcategory was plus/minus 16%. The only reason I am giving these numbers is because in general, we do not give the subcategory-specific number, but each subcategory was plus/minus around the same amount. It is not that one subcategory was much higher than 16% and one much lower.

Venkatesh B: Thank you very much Sir.

Moderator: Thank you. Our next question is from the line of Ankit Agrawal of Bernstein. Please go ahead.

Ankit Agrawal: Thanks for the opportunity. Just one question from my side. Given the fact that there are signs of general consumption slowdown based on the commentary from different companies especially in the consumer space, so just wanted to understand from you, are you witnessing any slowdown on that front or is it like the business is running a normal course?

Shantanu Khosla: The only slowdown which we saw was, what we believe is a temporary slowdown, is because of the season impact. We are not seeing any slowdown per se. And one of the reasons, I believe, that compared to some other categories there is lower slowdown happening is because if I think of consumer durables, white goods, big ticket items, a lot of those purchases tend to be done on EMI and availability of cash, etc., makes a difference. In our case, our industry, there's really no EMI. So I think that insulated us from the fact there is a cash shortage.

The second thing is, and this is just my judgment, and I guess putting my FMCG past hat and my consumer durable new hat. This industry is more urban-focused than my old industry, right? So I think part of the slowdown difference which FMCG industries are commenting on maybe because of a slowdown in the higher growth rates which used to be there in rural. And because this industry is relatively less rural-dependent, maybe there is less impact. But we are, to be honest, not seeing any slowdown even in Lighting, where there is a value slowdown, the volumes are growing very nicely. So from a consumer consumption point of view, pricing is consumption is going up.

Moderator: Thank you. We will take our next question from the line of Tanuj Mukhija of Bank of America. Please go ahead.

Tanuj Mukhija: Thank you for taking my question. You earlier mentioned in the call that you are still seeing some price erosion in the Lighting segment in B2B category. And then you followed it up by mentioning that going forward, you plan to increase your share in the B2B category. So does this imply that your Lighting segment margins could come under pressure going forward?

Shantanu Khosla: No. We do not think so. And one of the reasons is, in the B2C segment, we are far more advanced in our cost reduction. In the B2B segment, there is still potential to adapt some of those cost reductions. So we do believe that both B2C and B2B should be about the same in terms of margin, and that is kind of how they are now also. And we believe that the low double-digit margin is the right sustainable margin for Lighting.

Tanuj Mukhija: Thank you.

Moderator: Thank you. Our next question is from the line of Aditya Bhartia of Investec. Please go ahead.

Aditya Bhartia: Just wanted to understand the rough split between fixtures and lamps in the Lighting business. And whether battens and tubes are considered as a part of fixture space or as a part of lamps?

Shantanu Khosla: One second. Mathew is on leave today, so I am just digging out the numbers so if you could give me a minute. For our B2C business, about 30% of the business is lamps that are bulbs, and about 70% of our business is what is called fixtures, but essentially it is two types of things: Battens and panels. Battens and panels make the bulk of fixtures.

Aditya Bhartia: And is it possible to split it between those 2 also, Sir?

Shantanu Khosla: They are about equal.

Aditya Bhartia: Okay. Understood. And lastly, just on EESL. What would have been the composition of EESL in this quarter as well as full year revenues?

Shantanu Khosla: EESL was Rs.47 Crores for the quarter and Rs.140 Crores for the year.

Aditya Bhartia: Thank you.

Moderator: Thank you. Our next question is from the line of Mayur Patel of IIFL Asset Management. Please go ahead.

Mayur Patel: Thanks for taking my question. Sir, just one question like you have been showcasing consistent innovation in the existing categories like Fan and Lighting. So apart from these new innovations, how is the pipeline looking in terms of the new verticals like we have ventured in air coolers at a nascent level. But is there any other new vertical in the pipeline which we should look forward to in the next year?

Shantanu Khosla: There are, and I mentioned this before. Over the next period, we need to be successful in a couple of new verticals. Vertical number one, which you could look for, after geysers and coolers, is the rest of our small appliances business. I do not want to talk more about which part of that or what of it. But clearly, we are currently very underdeveloped, and we are working to see how we begin to really drive that business. And for all practical purposes, given our size in that, it would be really a new vertical, a new subcategory. The next one which we talked about multiple times is, well, our current decision to look inorganically, and we are in constant conversations on different options there. Obviously, it is nothing I can talk about at this stage. It will happen when it happens.

Moderator: Thank you. We will take our next question from the line of Nitin Arora of Axis Mutual Fund. Please go ahead.

Nitin Arora: Good morning. Well, you have answered the question in a qualitative term just I am asking a very shorter-term question here. On the ECD, where you had based in your favor over the last 4 quarters, whether agri's growth was not more than 1% or 2%. And this year, you are showing a 14%, 15% growth. Going forward, do you think from a shorter-term perspective again I am repeating, and you have shown there is no slowdown barring the seasonality slowdown which you saw, if we are growing 15% on that growth rate of 15%, 16% which you have shown is possible for the next 1 year or so?

Shantanu Khosla: Well, that is what our objectives are set on.

Nitin Arora: That is where you are guiding at?

Shantanu Khosla: I am not guiding, let us be clear. But that is what my objectives are set on.

Moderator: Mr. Arora, could you please return to the queue? Our next question is from the line of Sonali Salgaonkar of Jefferies India. Please go ahead.

Sonali Salgaonkar: Thank you for the opportunity. Sir, just wanted to know what is our current market share in Fans? And what kind of ad spend to net sales ratio shall we expect, considering that we have beefed up our advertisement?

Shantanu Khosla: First, in the coming fiscal, we are planning on spending about 2.5%, which kind of is around Rs.100 Crores. Second, our retail offtake share in Fans in terms of value, and I am talking retail offtake shares from the retail audit, for the quarter, our retail offtake share on Fans in value terms was 25.1. For the full year, our value market share was 23.8. So as I mentioned before, through the year, we have actually seen a upward trend in our market share.

Moderator: Thank you. Our next question is from the line of Vinod Bansal of Franklin Templeton. Please go ahead.

Vinod Bansal: Two questions on Lighting business. One, ex of EESL, what would have been your business growth rate for the quarter in the B2C and B2B as well? And second, you had some order, last quarter you have mentioned from some Odisha municipality or the state part, somewhat Rs.30-odd Crores, which had to be finished in 4, 5 months. Any update on that? Any revenues of that booked in the quarter?

Shantanu Khosla: Yes. Let me take the second part of the question first. No revenues booked in the quarter. That order is still very much there. We are all ready. It is simply being delayed at the request of the Odisha government due to the elections. So we do expect that now that order will start getting executed in the coming months, but nothing has been booked in this particular quarter. In terms of excluding EESL, like I mentioned, our LED Lighting grew 11% in value terms.

Moderator: Mr. Bansal, could you return back in the queue. We will take our next question from the line of Kirti Dalvi of Enam Asset Management. Please go ahead.

Kirti Dalvi: Just a question on Lighting segment again. 140 Crores were our revenues from EESL in FY2019. How much one can expect in FY2020 based on orders if we have it? And you did mention that you are targeting double-digit growth in the Lighting segment. Was it excluding EESL or including EESL?

Shantanu Khosla: First, just to clarify on this, right? I said we are targeting double-digit bottom line on Lighting. And I also said that given the plans which we are putting in place in terms of 'Antibac' advertising and B2B, we expect that over the coming few quarters, a flat overall topline could begin to deliver meaningful growth, right? So I just wanted to clarify that. Second, in terms of is EESL included or not, Yes. When I talk about these overall goals or numbers, it is inclusive of EESL. Third, our current order book for EESL is about Rs.90 Crores for the coming year.

Kirti Dalvi: That is very helpful. Thank you.

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

Pulkit Patni: Thanks a lot for taking my questions. Sir, this year, we have some significant debt repayment, and you alluded about the possibility of inorganic growth subsequently. Would it be possible for you to talk about the segment that we are looking at on the inorganic side?

Shantanu Khosla: No. It would not, because obviously that, for us right now, is at a level where it is confidential. I can tell you that we are not looking for traditional consumer electronics and stuff like that. We are still focused in terms of our kind of business.

Pulkit Patni: Sure. Sir, so no white goods per se?

Shantanu Khosla: Well, you get a lot of white fans, for example. But leaving that side, I really do not want to get more into what categories, because it is not appropriate and it is at a very different stage in different categories. And in inorganic, we know what kind of segments we are looking at, what kind of opportunities. But you can't really control whether a deal will happen or not.

Moderator: Mr. Patni, there are several participants waiting. We will take our next question from the line of Achal Lohade of JM Financial. Please go ahead.

Achal Lohade: Thanks for the opportunity Sir. Sir, just wanted to understand the level of supply discounting, and what kind of benefit have we seen for FY2019 in terms of the margins?

Sandeep Batra: During the year, we used some of our surplus cash to pay our vendors early. Total amount, which is whatever prepayment we did, as of March, was about Rs.300 Crores. The total benefit varies from vendor to vendor because the period for which we discount varies. I think the total benefit more than what we would have got had we invested that money in a mutual fund would be about Rs.6 - Rs.8 Crores in the year.

Achal Lohade: Sorry. I meant basically the cash discount against this prepayment, Sir?

Sandeep Batra: Yes. So the cash discount in excess of the way we compute it is that, had that money been invested in some mutual fund, it would have earned maybe 7% or 8%. Our discounting is around 15%. So the delta again is about Rs.6 Crores, Rs.7 Crores for the year.

Achal Lohade: Thank you Sir.

Moderator: Thank you. Our next question is a follow-up from the line of Vinod Bansal of Franklin Templeton. Please go ahead.

Vinod Bansal: Sir, just one more question on the Fans industry. Would you have any color on what kind of growth the overall market has seen, all the players put together in the current quarter?

Shantanu Khosla: Current quarter, difficult. We do not have really a good number yet. But it has been operating at about 6%. So I would just imagine and say maybe a couple of points lower than that in the previous quarter because of the weather.

Vinod Bansal: What I mean by the current quarter was the fourth quarter actually. So you are answering for the fourth quarter?

Shantanu Khosla: Yes. For the fourth quarter because the fourth quarter was the one which had the extended winter, the current quarter under discussion, so if I look at the last 3, 4 quarters, it is probably been around 6%, which would indicate to me that the fourth quarter was maybe a couple of points lower so 3% to 4%, maybe.

Moderator: Thank you. Our next question is from the line of Bhavin Vithlani of SBI Mutual Funds. Please go ahead.

Bhavin Vithlani: I had just one question. Have you seen a reduction in the working capital? Was there an increase in the working capital cycle due to reduction in the payable days, how should we look at fiscal 2020 on a sustainable basis?

Sandeep Batra: Our operating working capital, and if we exclude this prepayment that we do, it remains in line with what has been the traditional model. So if you look at our, Working capital cycle, if anything, it would have improved. This adjustment that we do, this prepayment that we are doing is very tactical. It is only done because we have surplus money. So there is some amount of arbitrage that we are enjoying. So if, for example, the cash that is there in the company is used for any other application, then working capital will go back to normal levels. My way will be to look at working capital independent of this adjustment.

Bhavin Vithlani: And what is that number according to you?

Sandeep Batra: About 300 Crores as on end of March. But we paid ahead of due date to our vendor.

Moderator: Thank you. We will take our next question from the line of Abhineet Anand of SBICAP Securities. Please go ahead.

Abhineet Anand: Yes. Can you let us know the Fans proportion in terms of top, mid and low category presently? And what was it last year?

Shantanu Khosla: So on premium, which is the top, has now moved to above 25%. Last year, it was 20%-21%, 3 years ago, it was about 12%-13%. So we have almost over this period, doubled the salience, if you will, of the premium segment.

Moderator: Thank you. We will take our next question from the line of Ronak Vora of AUM Advisors. Please go ahead.

Ronak Vora: Sir, what is the market share of Crompton in the fans business?

Shantanu Khosla: I had mentioned this and I will just mention it again. On a full year basis, detail offtake share in value terms for Crompton is 23.8% for the full year. For the latest quarter, it is 25.1%. So we are actually having a growing retail offtake share.

Moderator: Thank you. Our next question is from the line of Arnab Mitra of Crédit Suisse. Please go ahead.

Arnab Mitra: Thanks for the opportunity. You mentioned on the changes you are making in the B2B Lighting focus. So wanted to understand, the new payoff GTM, is it substantially different from what you were doing till now? And in this segment, other than pricing, are there other strong levers of market share available in the B2B side of Lighting?

Shantanu Khosla: Yes. Firstly, the GTM program that we were doing, just for clarity, was for our trade and B2C business. It did not really have anything much to do with the B2B. So this is the B2B intervention which we are making. Actually, in B2B, there are many factors more than just pricing. For example, it starts with technical specs and what are the specifications which are required. Power consumption, when you are putting up lighting for a factory, becomes a more relevant factor. Service, ability to deliver on time, ability then to provide ongoing warranty and service, so all these factors actually have a more than simple price transaction. Of course, price is important, but there are many, many other factors which are equally critical in the case of B2B.

Moderator: Thank you. We will take our next question from the line of Bhoomika Nair from IDFC Securities. Please go ahead.

Bhoomika Nair: Good morning Sir. Sir just wanted to understand the water heater segment a little better. You said we have introduced a lot of new products and revamped the entire category. So given this, how would have Q4, given the extended winters, played out for us in terms of growth and our market share gains as versus what industry has seen in terms of growth?

Shantanu Khosla: I guess. Can I give you our segment? Yes. Okay, Sandeep has given me permission to share this number, the segment number. On geysers for the quarter, the value growth was 19%.

Bhoomika Nair: Okay. And our market share, Sir?

Shantanu Khosla: We do not really track retail market share, but our current market share is about 6% to 7%. We think that we are probably improving market share over the season.

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

Naveen Trivedi: Good morning everyone. Could you explain more about the ECD margin contraction this quarter? So you mentioned that delayed price hike during the quarter has impacted the margin. So have we taken enough price hikes during the quarter? And what can we expect margin rate being in the coming quarters?

Shantanu Khosla: First, we think that a right going margin for ECD which we should get to and sustain is about 29% gross margin, and we believe that this is achievable. This is achievable, we believe, through 3 actions. And I talked about this before. First, we want to continue to improve mix. So for example, our whole program of disproportionately growing premium Fans is helping us improve the mix. The second thing is our ongoing cost-reduction program where we are continuing to get more efficient at every level on cost as we leverage our operational efficiencies and scale. The third, which is the balance, is pricing. For what you can't cover with these first 2, we cover with pricing. So that is how we plan, and we think we can be operating at around the 29% gross margin for ECD. The margins which dipped in this quarter really were driven because of the commodity prices increase being higher than they have traditionally been. So we could not cover them all with cost and mix. Now as we have seen commodity pricing pan out for a future, and as we are looking at our current cost reduction and mix programs, we think we should be able to cover and deliver. We also think, as we have been doing in the past, the pricing that we will take will be in line with the industry. It is only, I think in the immediate recent quarter because

of the winter slowdown and the fact that a lot of competition was increasing schemes, it was challenging to take pricing at that point in time. But I do not think that changes significantly our long-term opportunity to recover part of the cost through pricing.

Sandeep Batra: And also just to add. If you see the margin trend of ECD, the margin that we had in the fourth quarter would be the highest that we had in any quarter in the year. However, previous year first quarter, margin was substantially higher. But during the year, and particularly sequentially, margin has improved. But as compared to with Jan, Feb, March of 2018 it was about 200 BPS lower.

Moderator: Thank you. We will take our next question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Just wanted to know how was the growth across regions, north, south, east, and west?

Shantanu Khosla: We had growth across all the regions. Obviously, given the overall situation, the growth in ECD across all regions was higher than the growth in Lighting across all regions, right? So they largely were reflecting actual trends.

Ravi Swaminathan: So south and non-south, how the growth would have been? I mean percentage wise if you can just share the numbers?

Shantanu Khosla: Well, slightly higher. South was about 11%, right? So it is not that it was being disproportionately driven by any one region or state. The results are reasonably broad-based.

Moderator: Thank you. We will take our next question from the line of Kirti Dalvi of Enam Asset Management. Please go ahead.

Kirti Dalvi: Sir, just a question on GTM strategy. If you could little bit elaborate the current status of it, and have you seen any disruption because of this in our fields in FY2019?

Shantanu Khosla: Maybe a little in the beginning. But frankly, in the last two quarters, we are not seeing disruption. We are only seeing now the benefits of expanded reach, as we are now driving strong programs to get even further in the 50,000 kind of size downs. And the reflection of that is, if you look at our ECD business, if you say go-to-market, which includes our ECD business and our Lighting business. So, if you look at the consistent steady growth in our ECD business, part of that benefit which we are getting is a reflection, at least especially in the second half of the

year, of how our go-to-market is gradually becoming stronger and stronger, how the use of real-time data is helping us to take better decisions, etc.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to Ms. Renu Baid for closing comments. Over to you, Madam!

Renu Baid: Thank you, everyone. I would like to take this opportunity to thank the management for giving us the opportunity to host the call. I will hand over to Shantanu for his closing remarks before we close the call. Thank you so much.

Shantanu Khosla: Thanks, Renu. I really thank you all for joining in. We appreciate the time and effort you take. Our objective is always is to be as transparent as we can and just help you understand how we are looking at the business. As always, if you have any further questions or want any more details, please feel free to contact us. We are more than happy to talk.

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