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: October 31, 2018

To, **BSE Limited ("BSE"),** Corporate Relationship Department, 2nd Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001.	To, **National Stock Exchange of India Limited ("NSE"),** "Exchange Plaza", 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex Bandra (East), Mumbai – 400 051.
BSE Scrip Code: 539876	**NSE Symbol: CROMPTON**
ISIN: INE299U01018	**ISIN: INE299U01018**
Our Reference: 83/2018-19	**Our Reference: 79/2018-19**

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 September 30, 2018, kindly find enclosed the transcript of the same, held on October 26, 2018.

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

Thanking you,
For Crompton Greaves Consumer Electricals Limited

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

"Crompton Greaves Consumer Electricals Limited
Q2 FY2019 Earnings Conference Call"

October 26, 2018

ANALYST:	**MR. PRAVEEN SAHAY – EDELWEISS BROKING LIMITED**
MANAGEMENT:	**MR. SHANTANU KHOSLA - MANAGING DIRECTOR -** **MR. MATHEW JOB - CHIEF EXECUTIVE OFFICER -** **MR. SANDEEP BATRA - CHIEF FINANCIAL OFFICER** **MR. YESHWANT REGE – VICE PRESIDENT, STRATEGY AND FINANCIAL PLANNING**

Moderator: Ladies and gentlemen, good day and welcome to the Crompton Greaves Consumer Electricals Limited Q2 FY2019 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Praveen Sahay from Edelweiss Broking Limited. Thank you and over to you Sir!

Praveen Sahay: Thank you Janis. Good morning everybody. Thank you for joining to the earning call of Crompton Greaves Consumer Electricals Limited. On a behalf of Edelweiss Broking, I would like to welcome management team of Crompton Greaves Consumer Electricals Limited to discuss the result. We have with us Mr. Shantanu Khosla, Managing Director of the company, Mr. Mathew Job, Chief Executive Officer, Mr. Sandeep Batra, Chief Financial Officer and Mr. Yeshwant Rege, Vice President Strategy & Financial Planning. I would now request Mr. Khosla for his opening remarks post which we can open the floor for Q&A. Over to you Sir!

Shantanu Khosla: Thank you Praveen. Good morning everyone and thank you for dialing into our call for talking about results of the second quarter. As usual, I will try and give some color and flavor around the numbers and then we will try and keep us much time as we can for any questions you all may have. Let me start by talking about segments. First of all, ECD segment showed strong growth of close to 15%, all our key product lines in this segment have shown double-digit growth, the real drivers of ECD were fans, pumps and also towards the backend of the quarter, geysers.

We have in spite of continuing cost pressure and forex pressure, managed through mix and continuing cost reduction programs, to not just grow the topline on this segment, but importantly also grow bottom line, improving our margin for the segment by about 100 basis points. This really is the reflection of our key strategy that we are continuing to implement and drive the business behind it. We introduced a lot of new products in fans especially in the critical Rs.2000-Rs.2500 price segment and not just Air 360 which we have talked about, but also variants called Senorita, Splitz and most of these have given good initial results and through this quarter. The growth of this critical segment was 35%, which was one of the prime drivers behind not just the total fan mix, but also the continued improvement in mix of the fans business.

Pumps also continues to perform exceedingly well especially behind the ongoing initiative of crest mini where we clearly are growing our business faster than competition, the volume growth was strong at 25% in the current quarter. More importantly, the future growth area of agricultural pumps, which we have been driving for some time, trying to get deeper in our distribution and marking etc.,

grew by about 70%. We see this as critical segment and are looking forward for it to continue to be a critical growth contributor along with fans. Geysers also we have talked about in the past but really now this is the season where we plan to really drive geysers. We have revamped our entire range of geysers and upgraded it across the board, instant as well as storage, introducing a number of new items like Gemma, Solarium Neo, Amica etc., with a strong focus on both ,performance and also importantly product aesthetics. We began to obviously roll this out in the backend of this quarter and initial growth has been strong, but clearly it is going to be one of our key drivers as we grow into critical winter season for geysers in the next quarter onwards. ECD, we think is performing strongly and we see it, continuing to have potential for growth. We think our strategies of driving better distribution, driving better visibility in store, driving cost and innovation are all now consistently delivering results in top and bottomline.

Let me move on to another segment, which represents for 25% plus business, Lighting. Now, for lighting, without a doubt it has been a challenging period as we have been talking about for some time. The story on lighting is in some ways simple in other ways complicated. Our volumes behind our LED program continued to grow nicely. Volume growth on battens and panels is in excess of 20% and our lamp volume growth is also in excess of 20%. EX-EESL LED lighting even in value grew 14%. The challenge is that price erosion is continuing, and we estimate that over this period, the price erosion was something in excess of 10% to 12% and at the same time while we are continuing to have price erosion, we are also facing significant cost challenges especially due to the foreign exchange headwinds. Since a significant amount of import occurs across the industry, the LED cost is dollar based. What this results in is, while we continue to grow volume across the board, we are continuing to grow distribution, it is resulting in lower value growth due to the price erosion, and also the margins are getting impacted. For us it is clear that lighting is strategic, and we will continue to drive the lighting business with a combination of distribution, advertising and also product innovation. We now have a program to recover margin in spite of the headwinds we are facing, we have a very clear program to recover 400 to 500 basis points of margin by cost reduction. This program is already in place and it has a number of points. Number one is, we are continuing to look at optimizing our design of key component things like driver etc. This has been one of the elements which helped us in cost reduction in the past; we are continuing to do that. The second from pure sourcing point, we are looking to source components directly from suppliers in China as opposed to only going through aggregators.

Thirdly, we are using technology significantly by moving more and more of our purchases to e-auction which are also a deliberate saving. Finally, we are also in the process of moving more and more of our LED production in-house in our own factories. While we have already moved a reasonable number of bulbs, by Q4, we would have moved a majority of our bulbs to in-house. From September onwards, we are beginning to produce battens and panels also in-house and by Q3 and Q4,

we will have stepped up the in-house production of battens, panels and street lights. So, all these programs together which we have defined well, because we recognize how important it is to keep driving cost and bring back margins somewhere around the double-digit range, we expect to be going in as we speak, they will obviously gradually ramp up and we are aiming to restore our margins back over the next two quarters on lighting. While we are doing this, we are going to continue to focus on what has worked to deliver all this growth in lighting. Distribution and advertising is going to be key. We are also introducing more premium value-added items for example, we introduced the five star LED bulb in the beginning of this quarter called LYOR, which is a totally redesigned bulb in terms of shape and packaging, apart from being five star, and we are selling it at about premium of 20% to 25% versus the base product. So, this continued introduction of premium initiatives over the next quarter will also help the topline growth.

Next on lighting, we believe that we still have a huge opportunity for growth and we will keep driving these opportunities for growth. We now have to accelerate the execution of our identified cost reduction programs over the next two quarters, to get our margin back to what we believe is the right margin for lighting, which is about double-digits. So, with that I would like to now pass it over to you folks for questions. The final summation of my comment- ECD is actually growing for us broadly, margins continue to be healthy and on the growing end. Lighting, we do face price erosion and cost challenges, but we are confident that we have plans to address this erosion over the next two quarters. We expect that price erosion will reduce but not disappear. We think that price erosion will kind of stabilize on the bulb business, but it is difficult to predict, but we are planning while assuming that some price erosion continues on other segments of the lighting business. So, thank you and I will now just pass it over for questions.

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

Renu Baid: Thank for the opportunity. My question is just to understand little more on the margin profile for this quarter. If you see on a sequential basis, lighting and ECD margins have not actually compressed as much at the EBIT level, but on the gross margin level, the decline has been substantial. Few reasons you have already elaborated, so how should we look at the company wide gross margins moving ahead assuming the lighting is expected to be back to the double-digit levels in the next two to three quarters, can we expect the gross margin to be back at previous level and also if you can just mention reasons for decline in the unallocables this quarter?

Shantanu Khosla: First overall gross margin and let me start with ECD, I think one thing to keep in mind is historically our margin profile always improves in the summer season months due to the seasonality where the volumes of the higher margins products such as fans is more, so a better comparison on margin

progress is to look on margin progress versus same period a year ago. Another thing to keep in mind is on ECD again, since we talk a lot of lighting, on ECD while we have got strong overall value growth, volume growth is ahead of value growth and one of the reasons for this is that we are getting disproportionate growth from the crest mini initiative which we are extremely happy with it. So while that may have some downward pressure on gross margin, we think that it is a strong driver for overall topline growth and overall profit growth. On the last thing, I will ask Sandeep to take that.

Sandeep Batra: If you see the unallocable cost, they are largely in line with what was there in the immediately preceding quarter Rs.26 Crores, Rs.25 Crores but compared to same quarter last year that is largely because of the reduction in the ESOP charge which sits in unallocable cost expenses.

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

Moderator: Thank you. The next question is from the line of Venu Gopal Garre from Bernstein. Please go ahead.

Venu Gopal Garre: Just one question, in this quarter in lighting as well as first half was there any EESL business and more so how is the order book incrementally developing on the EESL side and also want to understand that EESL, as I understand will be probably lower than what it was last year so does that also have a role to play in the margins and how that is varying because with low EESL, it seems like your margins have fallen and do you expect the EESL will have higher margin?

Matthew Job: In the quarter, the EESL business has been significantly lower than the same period last year. If I look at LED fixtures, there has been almost 35% drop in the EESL value compared to the same period last year and in bulb it basically has gone 10% down, so I think overall EESL has come down. If you consider the LED business without EESL, it has grown 14%. So I think going forward, you asked also about the order book for EESL end of September is around Rs.35 Crores.

Shantanu Khosla: Just one more thing, I would like to mention about EESL, especially looking forward and this is partly of course based on public comments made by EESL. The EESL business we get mainly consists of two parts, part number one, what has been the largest part of this business up till now which are simple bulbs. Now as EESL themselves declared for this bulb business, they have basically done their job and now they are going to gradually get out of it, however there is a second segment which is the street light segment, which historically EESL were not involved in and this business was done directly with various municipality or localities or governments, now a lot of these are getting aggregated through EESL so in a sense EESL has sort of become central purchase operation to supply street lights to not all but quite a few of these. This in sense streetlights is sort of a new business for EESL and this is gradually developing and if I read what EESL has said in public, this is their focus area for lighting in the future.

Venu Gopal Garre: Thank you so much Sir.

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

Venkatesh B: The question is something like this. It is a broader strategic level question, you mentioned that your value growth was lower than your volume growth in the ECD segment and it is also reflective in the fact that…?

Shantanu Khosla: Not in the ECD segment. In fans for example, the value growth was ahead of volume growth because we were driving the more premium end of the market like we have been driving, only in months where for the last about six quarters, we have really been driving the crest mini which is at a lower price point is the volume growth higher than value growth. So when you bring ECD together, we have a positive mix and I do believe this is because of pumps, because if you recall about three to four quarters ago we were facing competitive challenges with pumps and then we brought in crest mini and the good news is not only is crest mini growing, but other segments are also growing and today just looking at the last couple of quarters of pump competitor reports on topline and bottom line, our pump is actually growing faster than at least all the numbers I have seen up till now.

Venkatesh B: Okay so let me rephrase my question, now in pumps for example the value growth has been lesser than the volume growth similarly on the lighting you mentioned similar thing happening, Now especially focusing on lighting, when we talk to people in the channel, the response which we are getting is there was initially a price cut which happened due to new entrants in LED and actually there were only a few people who reacted maybe Syska reacted but among the top three-four players it was basically Crompton who is leading the price fall in lighting. So is there conscious strategy by the management that you are actually cutting prices to grab market share in the current environment, because we do not see a similar thing happening with Havells number, their margin does not seem to be getting impacted and neither are they telling that we are cutting prices so is it specific strategy from your side that you are cutting prices to grab market share in lighting and the second if you could just tell us what are the advertising spends in the first quarter and the second quarter of the current year?

Shantanu Khosla: You are right I think really in the trade in lighting especially in B2C segment, there has been significant price erosion and that you are right it was led by two new entrants to start with and of course companies like Syska and many others reacted. I think definitely we have very a clear pricing policy which is basically benchmark with some lead competitors, basket of competitors and based on the price move we have observed, we are of course also active to ensure that we protect our share, so I think when we compare the margin movements of competitors. I think you have to keep in mind, the

LED and non-LED portion of the overall lighting mix I think we are good. One of the other issues we have been facing is because the non-LED lighting business has been going down, has been declining both in terms of topline and bottomline much faster in the last couple of quarters than in the period before that. So, depending on the mix of LED and non-LED, you will see some differences between competitors. In terms of price setting versus key competitors, it is unmoved since the last three quarters and in fact starting October we have actually increased the prices of LED bulbs and again some of the competitors also have responded similarly. So I think our pricing policy remains consistent and will continue to execute the pricing policy that we have set in place.

Matthew Job: To be absolutely clear, in the current period, we did not initiate any introduction, it was purely a response and it was not just the response to small new players, it was response when large players also started dropping their price.

Venkatesh B: Okay Sir if you could give us the advertising cost for the first quarter and the second quarter?

Shantanu Khosla: It is about Rs.25 Crores across the quarters.

Venkatesh B: Just could you split between the two quarters?

Shantanu Khosla: Most of it was in the first quarter.

Venkatesh B: Rs.125 Crores?

Shantanu Khosla: No Rs.25 Crores.

Venkatesh B: Rs. 25 Crores?

Shantanu Khosla: Bulk of it was in the first quarter, purely lead by seasonality.

Venkatesh B: Okay thank you Sir.

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

Arnab Mitra: Question was on the GTM change agenda that you have. So, you had an adverse effect last year in the second half when you started to roll it out, given the layout of the next couple of years on this, but I just wanted to get a sense of when do you think the adverse effect of the roll out stops happening and when does the positive effect of the incremental distribution start coming in over the next year or so?

Shantanu Khosla: Okay like we talked in the past, we are not doing this all at one go across the country, it is in stages and it is very focused on creating stable prices, creating good coverage and regular beat work by salesman so as you can see. If you just look at ECD business and if you track the growth of our ECD business over the last for four or five quarters, ignoring or adjusting for last quarters growth because last quarter growth was obviously high because of GST base being low, you will see a continuing increase in the growth rates quarter-on-quarter. So, on an aggregate India basis, it is continuing to deliver results. If I go back we were growing in the ECD business about 9-10%, then it went up to about 11%, 12% and now this quarter is 15%. Again, I am not counting the 25% on the GST quarter because that is obviously an adjusted number. So, there is already steady growth now and that is not only because of the GTM. I mean the better distribution is one of the enabler, but it is also the product, it is the innovation etc.

Arnab Mitra: Sure thanks. That is it from my side.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: My first question is, you talked about in sourcing some of the products if I heard you correctly in the lighting part so in sourcing as well as you said that I might change the procurement directly from the vendor sitting abroad rather than you must be giving some business to aggregators here like the EMS companies, so is there change that we largely will take everything from abroad on our supply chain and we will just remove the middle man let us say the EMS company from here?

Shantanu Khosla: Not obviously everything at one go but it is a gradual shift because we also have to make sure that we are getting it right, it is not just about the price, we have to make sure that the quality, the reliability etc. The gradual shift over time at as we are doing, we obviously want to make sure reliability and quality if anything keeps improving, but you are seeing cost benefits as you move this change. The second thing is, like I said on this whole area we are seeing e-auctions are beginning to kick in and they are working well for us, and the final thing is which is also gradual change over the next couple of quarters, is in-housing. So, we are gradually bringing in more and more of the final lighting manufacturing into our own plant and we are seeing that again has three benefits - better reliability, better quality and we are getting cost benefit. So, the cost benefit for all these things is what is adding up to our plant to get back 400-500 bps on margin.

Nitin Arora: Possible to quantify how much in the lighting business you outsource for company like I mean company like Dickson and all lighting which can be getting sourced by you is it possible to share?

Matthew Job: See I can tell you for example in LED bulbs about a year back we may have been 80% outsourced, in the current quarter we would be less than 10% outsourced in the LED bulbs, In streetlight, we were completely outsourced till September, but now I think in this quarter almost 25% would come in-house and similarly there is also move in street lights, over time, of course bigger percentage of our overall sales will be from in-house production.

Nitin Arora: Thank you very much.

Moderator: Thank you. We will take the next question from the line of Ankur Sharma from Motilal Oswal Asset Management. Please go ahead.

Ankur Sharma: Sir my question on the lighting segment if I remember my numbers correctly close to about 70% to 80% of lighting is LED and within that again upwards of 60%- 70% is fixtures and the other way to look at the lighting segment is that close to about 50% is B2B. Now my question really is that is this price erosion across fixtures and also on the B2B side because my guess would be more B2C side. So what is really driving this very sharp margin erosion is this even in fixtures, even in B2B you seeing a similar price erosion?

Shantanu Khosla: Yes, it's across the board, if you go back two years when the whole LED growth programs sort of started both with us and the industry experts, the price erosion at that time driven by cost, first started on bulbs, then it moved to panels and battens and now it is very much there in B2B. In fact, as I was mentioning in my opening remarks, we think that price erosion is now not going to happen much on the bulbs in fact a couple of leading companies including Phillips and us have announced on price increases in bulbs, but we think there is still possibility of erosion to happen in the other segments. Also, I would like to put this in context because you know we tend to look at quarter-to-quarter which is absolutely right. If you go back two years ago and you look at our numbers, we were small but it is not that we made high margins, we made only about of 4%, 5% margin and then gradually as we built scale moving to this number two position in terms of total size, we all managed to build margin to a peak of about 10 to 12. Then over the two quarters, price erosion happened even more and frankly in the last quarter lighting margin had come down to about 6.5, a little higher but not too different from what it is in this quarter. Now we need to build it back up to that 10% and the only ways is cost.

Ankur Sharma: Sure, sure got that. Thanks, that is all. Thank you sir.

Moderator: Thank you. Next question is from the line of Charanjeet Singh from DSP Mutual Fund. Please go ahead.

Charanjeet Singh: Hello Sir.

Shantanu Khosla: Good Morning.

Charanjeet Singh: Good Morning sir. Sir you have talked about this price increases is over in the LED side, if you can just quantify like how much price increase we have taken, what could have been the absorption in the market and in any other categories, have we taken any price hikes?

Shantanu Khosla: We have effected some price increases from October only in LED bulbs to start with, roughly 3% that is what we have done so far and we mentioned also couple of our competitors also have announced price increases and I think that is going to happen also because there is significant product-related cost pressure so that we expect that this too continue to more of the competitors moved around cost increases, then price increases and then the volumes would, and we have not seen any negative response to price increase we have taken so far.

Charanjeet Singh: Okay, in any other categories we have taken any price hikes?

Shantanu Khosla: Oh yes, I mean that is an ongoing process and it tends to be a couple of points because the reality is that commodity cost and foreign exchange cost affects everything maybe lighting proportionately more, but that part as we have already said we will grow our value higher than our volume and we will cover the cost increases with a little bit of pricing, a little bit of mix and a little bit of cost reduction projects and that is what has been playing out in most of our business for quite some time and continues to play out. It is simply that in lighting in this near term that incremental cost and the pricing at the same time was for the point in time creating this extreme volatility, because if you take for example Forex, and this has not changed for us but for the industry, LED has about 35% to 40% imported component, and the dollar has gone from $65 to $75 you know so that is the real cost everyone has to cover and ultimately it is done by reducing other cost and some pricing

Charanjeet Singh: Sir another thing is like we are getting to do more and more insourcing now in the LED side so in the other categories also do you see that this insourcing trend can pickup and as you know for example in fans we noted to have more control on the paint shops or something so if you can just give more on this insourcing versus outsourcing, how we balance out in the longer term, that is what I would like…?

Shantanu Khosla: We are in the process of doing a more long-term study on which we take some basic decision and obviously share them at appropriate time, but up until now, we have not taken any decision. You must remember that out of all our categories over the last two years, lighting has been the most dynamic, it has grown the fastest, products have changed the fastest, not long ago a bulb cost Rs.300 now it cost Rs.70 for the consumer to buy. So, in lighting insourcing brings us cost benefit, but that is not the primary driver for lighting. The primary driver is ready to improve quality and customer service. The

second thing you got to realize in lighting is we already had the asset because we were making non-LED traditional CFL lights, so it is also a matter in the case of lighting the asset utilization because we are not having to build new factories we're barely just replacing CFL capacity with LED capacity.

Charanjeet Singh: Okay Sir, Thank you Sir. That is all from my side.

Shantanu Khosla: Thank you.

Moderator: Thank you. Next question is from the line of Kunal Sheth from B&K Securities. Please go ahead.

Kunal Sheth: Yes, hi, thank you for the opportunity, Sir my question is regarding the fan segment. Sir, over the last few quarters we have been focussing on the mass premium segment that is at Rs. 2000 to Rs. 2500 rupee range so what would be the share of that segment in the overall fan sales right now for us Sir?

Shantanu Khosla: We just have to check specific number one second and get back right, but this is the key one, while they are checking the number let me tell you that is segment is significantly larger than the 2500 plus segment, the other one is just I do not think I mentioned this in my opening comment, but the other thing which is happening on fans is one big chance of growth is coming from Rs. 2000 to Rs. 2500 where most of the new products are, but we are also seeing a lot of growth due to our investment in driving deeper distribution in the sub-eco and eco segment, which has also grown this quarter in excess of 20%, so it is barely about new products, innovation, advertising at its mass premium and driving deeper distribution at the bottom of the market.

Kunal Sheth: Sure, and Sir what would be market share for fans right now?

Shantanu Khosla: Our market share for fans if we look at a retail audit, about 25-26 somewhere in that range so we continue to creep up market share. Admittedly we are not growing share as fast as we were growing 18 months ago, but we estimate that the market is growing maybe at about 6%-7% on a steady state basis. So, we are growing up market shares but not as fast as we were.

Kunal Sheth: Sure sir. Thank you so much.

Moderator: Thank you. Next question is from the line of Nilesh Bhaiya from Macquarie. Please go ahead.

Indrajit: Hi this is Indrajit thanks for the opportunity; my question is on these new categories especially in the water heater that you mentioned various products have been launched. Can you just talk about what kind of impact do you think it will make in the first year and what kind of aspiration we have, how quickly we can get to see a credible #3, #4 player and it translate into what kind of revenue size?

Matthew Job: I think that the range of geysers we used to sell was I think, something which was launched many years ago, that is one. Second, there were some specific product gaps especially in the five star entry level segment we have no offerings. So, what we have done so far is revamp the entire range and fill the gap. So, the products we spoke about Amica, Gemma**,** Solarium Neo, it basically one, refreshes the existing range and second, fills the critical gap which is a five star entry level range. We have launched this towards the tail end of the last quarter and some are still being introduced in the current quarter. We grew our geyser business by roughly 20% in the last quarter. We hope that with the introduction of these new ranges we will continue to have strong growth in the quarter ahead. In terms of the timeframe to reach #2, #3 very difficult to predict, but the market of electrical water heater is roughly Rs. 2000 - Rs. 2500 Crores, so I think there is even with the 10-12% share I think there is still a significant upside for us in the next few quarters.

Shantanu Khosla: So, if it succeeds then I guess you do not want to talk about it too much because this winter if that is the first critical winter and we can talk much more about it with more data in our next quarter call, but if this program works it will not be insignificant.

Indrajit: Okay, just one kind of extension of that, in every category we have talked about bringing in a differentiated product, so is there that kind of a flagship differentiated product in the geyser segment, we have launched or about to be launched?

Matthew Job: See in the geyser segment as I have mentioned we have everything for you all to do in the short term one, complete range refresh because our existing range was outdated, it was many many years old so refresh of the existing range was number one. Number two is to plug the biggest gap that we have which is entry level five stars that is what we have done so far in the last quarter and continue to do in the current month, going forward of course is to create the differentiated offering which is also in progress, the exact timing of which we cannot mention for obvious reasons but that is also something which is in the works.

Shantanu Khosla: So, the idea of having a flagship differentiated product is the key element of the strategy.

Moderator: Thank you. Next question is from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: Sir in the ECD business we had given a good growth but if I look at the other competition they had given a flagship sales growth as compared of us so can give some sense like from where they are getting enough things really strong compared to us?

Shantanu Khosla: I think better to ask and I guess you are not talking about anyone else apart from Havell's right because V-Guard for example which I saw the numbers and their growth was significantly lower than

ours. Kirloskar in pumps was also significantly low and I have not seen any other numbers, but how they had seen because in, okay, you probably have more information to me I can only relate to what they talk about in the public domains where one of the comments they made was to do with the fact that it was off lower base of the previously which frankly obviously I had no understanding or details. All I can say is our business is growing, continuing to grow at an accelerating rate over time in quarters. Do we have opportunities to drive even more growths by segment, by geography of course we had and we continuing to work that.

Praveen Sahay: Okay, okay even in the last four quarter, not this quarter, even in the last four quarters, I have checked this number so we will discuss the detail in offline. Sir one more question that is can you gave some capex plan for 2019 and 2020?

Sandeep Batra: For capex, while we are looking at initiatives like what more could we make in-house, overall capex for both the years for this year and next year will be all around Rs. 25 Crores to Rs. 30 Crores.

Praveen Sahay: Okay. Thank you sir.

Moderator: Thank you. Next question is from the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.

Rahul Ranade: Yes hi Sir Thanks for the opportunity just another question on the GTM, so just to get a sense of the degree of progress on that and what kind of disruption are you seeing in the business if any?

Shantanu Khosla: Like I said if I look at it on the national basis and if I keep out lighting because I believe the challenges in lighting right now we really got nothing to do with distribution etc. and I look at ECD, our growth trends are continuing to accelerate over time, so on an average national basis, we are managing it in a way so there is no big disruption nationally. Like I said earlier this is executed town by town literally and in a particular town where you try and bring in price stability etc., for that town, typically it is about a two- to three-month period before we see business picking up. We saw that when we first had lighting in the south and we continue to see that is roughly the amount of time it takes, but rightly we have always said we are managing this pragmatically, we are managing it so that we continue to field our direct dealer business while we add on stronger distribution business and on a national basis as long as our growth continues to accelerate, we think that that it is being managed fine.

Rahul Ranade: Sure, so right now I think we first started with the Western part of the country and now ventured in to the North so I kind of remember you saying that in the last call that you know north is more wholesale dominated and could be a little bit of challenge vis-à-vis the West?

Shantanu Khosla: So again we are seeing progress in the North and again you know North also that splits up for example in Delhi and NCR which is a little more developed, we are seeing much more growth coming back quicker by the time you get to areas of Eastern UP, it takes a little more time, you know so, it varies, but the general principle we are seeing holding true which is in a particular town, when you begin to make the changes you start seeing the positives in that town after about three months on an average.

Rahul Ranade: And our new products is like suppose for geyser, are they introduce directly in the new kind of a distribution network or is it kind of them…?

Shantanu Khosla: Okay, I just want to clarify, right, we always had dealers, some of the dealers were retailers, some of them were wholesalers and some of them were distributors. We are continuing to work with the wholesalers and large retailers. What we are doing is this people who are distributors we are improving their distribution capability, we are making sure they have got more salesmen who are better trained, we are making sure that they are using data to make their choices, we are making sure the rigorous beat plan, so obviously when we do anything the geysers or any new fan initiative it goes to everyone because of these channels play the different role.

Rahul Ranade: Sure, sure, got it.

Moderator: Thank you. Before we take the next question I would like to remind all participants again please limit your question to one for participant only as we have people waiting for their turn. We would take the next question from the line of Ashish Jain from Morgan Stanley. Please go ahead.

Ashish Jain: Hi Sir, Good Morning. Sir my question pertains to the fixture business with the lighting, correct me if I am wrong, I think fixture accounts for roughly 60% of lighting revenues, so what are the trends we are seeing on that more from cost and more importantly from pricing perspective?

Sandeep Batra: I think of course fixtures are the bigger part of the lighting business again the volume growth have been very strong in the LED fixtures both in B2C and B2B which is, in B2C it is primarily battens and panels and B2B in the pretty much everything. As Shantanu mentioned already the kind of cost pressure which we found and pricing pressure, are there in fixtures as well. In fact, it is only in LED bulbs where we feel the pricing pressure has abated in both B2C. For example, the battens which used to sell at Rs.400 about a year, year-and-a-half back is now down to Rs.200 or even lower, street lightings prices have crashed by almost 25% over the last one year so I think the pricing pressure continues in fixtures and we think it will continue for some more time, only in bulbs we have seen the pressure is abated actually.

Ashish Jain: Okay, okay got it Sir. Thank you so much.

Moderator: Thank you. Next question is from the line of Abhineet Anand from SBICAP Securities. Please go ahead.

Abhineet Anand: Thanks for the opportunity. Just wanted to know what has been the fan growth in terms of value and volume for H1 or quarter whatever is possible.

Shantanu Khosla: Again, we do not give exact numbers for our subcategories but let me say that our fans have been a key part of the total ECD growth and number two, fans have delivered a positive mix, value growth is ahead of volume growth.

Abhineet Anand: Okay but you did mention that within the 2000-2500 range the growth was, if I am not wrong 30% plus right?

Sandeep Batra: Yes, that is right.

Abhineet Anand: Okay and if you say that the market in fans have grown by 6%-7% and we have gained market share, so at least 200-300 basis point higher than that we would have grown, is it a fair assessment?

Shantanu Khosla: I would not make that math right because market share especially if you look at retail share tends to be flatter in more long term so I would be vary of saying 200 basis point or 300 basis points but just leave like that. Yes, we are growing share. We are not growing share as much as we were 18 months ago when we just introduced anti-dust and we for the first time started driving premium.

Abhineet Anand: Okay, Thanks a lot Sir.

Moderator: Thank you. Next question is from the line of Anshuman Deb from ICICI Securities. Please go ahead.

Anshuman Deb: I want to understand about the pump business, we said they have also shown signs of improvement, and if we could share some numbers on agri pumps that would be great?

Shantanu Khosla: I think agri pumps for this quarter had about a 60% value growth. It is still a smaller segment of ours but like we all were said it is an important segment for the future because that is the share development opportunity, and a lot of our key competition in pumps actually has a bigger business in agri and I think at least I mean this is by own hypothesis, as I am looking at some of the pump competitor numbers what I think seems to be happening is we are winning in the agri segment and that is reflecting in both, our higher growth and the fact that growth tends to be lower than us, but that is just my hypothesis.

Anshuman Deb: Yes that is very helpful Sir and one another question I had was you mentioned our fans share of around 25 to 26%, if I am not wrong, it used to be around 27% odd so we are gaining market share right?

Shantanu Khosla: Yes, we are getting market share and the reason you might have the different numbers was because in the past when we used to quote share, we used to quote company primary sales divided by industry number, but on fans at least now we talk about the retail audit share so exactly the consumption share coming from a retail audit, third party vendor.

Anshuman Deb: Thank you Sir.

Moderator: Thank you. Next question is from the line of Harshit Kapadiya from Elara Capital. Please go ahead.

Harshit Kapadiya: Thank you for the opportunity Sir, I just want a clarification that you had mentioned to start that the new products in fan segment that you buy is 35%, was the share of the new products 35%?

Shantanu Khosla: No what I Just to clarify that is just, let me call it mass premium segments which is really a segment which is priced between 1900 and 2500. This segment in total was where we had introduced a number of new products including Air 360. This segment for the quarter grew at 35%.

Harshit Kapadiya: Okay, Sir during the last meeting you had mentioned that you will launch few more products in the H2, so are we on track in the fan segment for that?

Shantanu Khosla: And again, that is the normal part of continuing to deliver on fans as you move into the season because obviously H2 is a critical part of fans that is when we start ramping up our fans, marketing support, the advertising, the new product introduction in the different segments.

Harshit Kapadiya: So generally, Sir what has been the trend of new product as a percentage of revenue for you over let us say this year or last year if you can mention?

Shantanu Khosla: I would be hesitant to mention that because it all amounts to definition of new products you mean something which was not sold 12 months ago, 24 months ago etc., but new items which are coming in. I mean If I take lighting for example, nearly everything which we sell today was not sold 12 months ago, if I take pumps crest mini was not sold 12 months ago and that is the critical driver plus the number of other ones, you know it requires a little context as opposed to just one number.

Harshit Kapadiya: Because your trend in the new product introduction in each of the category has been in the range of 25 to 35% between the categories that you have. So I just wanted to get a sense on that.

Shantanu Khosla: So, our focus obviously is to accelerate that.

Harshit Kapadiya: Okay, just last question could you share your lighting breakup in terms of LED and your fixture for this quarter?

Shantanu Khosla: 82% of LED and of course 18% non-LEDs, fixtures I think would be two-third of total of business.

Harshit Kapadiya: Okay. Thank you Sir.

Moderator: Thank you. Next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: Yes, hi Sir, I had a followup question, so agri pumps is a segment where I think you had started putting some efforts a few years back and initially it had not delivered the requires results. So if you could highlight what was the challenges and what have you changed now which is giving this much faster growth in that segment?

Shantanu Khosla: Okay first I would just like to caution that it is still early days, I think it is much too early to declare success that everything is working in agri pumps, okay, first. The trends are looking good without a doubt. The two key areas, or let me say three key areas, area number one, get the right competitive products which meets the need of the agri consumer because they are slightly different at the right price. Area no 2 and this is what I have taken as time to work is where we are going with the programme. You need to make sure that you got a dealer or distributor network which goes deeper because the agri pump business is much deeper. It is not a big city business, right, so it is the dealer, it is a service network, it is everything which you need. That is what takes a lot of time and investment. Our approach like I said I did in the beginning was to learn on this by going state by state and that is how we are continuing to do it as opposed to trying to do this all at one go nationally. So those are the key things, which we have been doing, it is beginning to look positive, but of course it is early days so I would not in any way say okay, we have solved it. Everything is perfect.

Arnab Mitra: So there is nothing dramatically different you have done in the last one-quarter to see the 60% kind of growth, it has been.

Shantanu Khosla: No, there have been some differences and also importantly what is happening is our ability to actually learn who is right distributor which is the right geography, etc seems to be all coming together because you need all these things to sort of work together, as a product but not the network going deep, there is not much use and vice versa.

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

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

Aditya Bhartia: Hi good Morning Sir. Our payables have been going down over the last few quarters. By making quicker payments are we getting discount from vendors, which in turn is boosting margins to a certain extent.

Sandeep Batra: In our payment whatever you see payable value is more in light with the seasonality but yes we have used our surplus cash of what we have about Rs. 200 odd Crores to pay these vendor bit early and get some discount so that is certainly embedded in the performance.

Aditya Bhartia: This quarter in first half we have seen borrowing declining, but other financial liabilities have risen sharply, is it on account of current portion of long-term borrowings, which has been under shown or other financial liabilities?

Sandeep Batra: That is correct because we have about 300 Crores of debentures which are due for repayment next year and because that has now become less than one year liability that has been re-classified into the current liability portfolio that is the reason.

Moderator: Thank you. Well, Ladies and gentlemen, that seems to be last question for today; I would now like to hand the conference over to the management for their closing comments.

Shantanu Khosla: Thank you as always appreciates your dialing in. Our intention is to as transparently as we can share everything with you folks. If you have any more questions, and any more details, which we were not, able to get to because of that of lack of time, please feel free you can contact Yeshwant and we are more than happy to get into as much detailed as any one of you may wish to. Thank you and appreciate your support. Thank you so much.

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