

Date: June 3, 2022

To, <b>BSE Limited ("BSE")</b> , Corporate Relationship Department, 2 <sup>nd</sup> Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001.	To, <b>National Stock Exchange of India Limited ("NSE")</b> , "Exchange Plaza", 5 <sup>th</sup> Floor, Plot No. C/1, G Block, Bandra- Kurla Complex Bandra (East), Mumbai – 400 051.
<b>BSE Scrip Code: 539876</b>	<b>NSE Symbol: CROMPTON</b>
<b>ISIN: INE299U01018</b>	<b>ISIN: INE299U01018</b>
<b>Our Reference: 27/2022-23</b>	<b>Our Reference: 27/2022-23</b>

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 the Audited financial results for the quarter and year ended March 31, 2022, held on May 30, 2022 kindly find enclosed the transcript of the same.

Please note below clarificatory points:

1. Wherever we have mentioned "post-merger", the same be read as "post-acquisition"
2. Wherever we have mentioned "EPS accretive" the same be read as "EPS neutral" for F.Y. 23.
3. The approval date of financials was erroneously called out as May 26, 2022 instead of May 27, 2022.

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

Thanking you,

**For Crompton Greaves Consumer Electricals Limited**



**Pragya Kaul**  
**Company Secretary & Compliance Officer**

# **Crompton**

## **“Crompton Greaves Consumer Electricals Limited Q4 FY2022 Earnings Conference Call”**

**May 30, 2022**

**ANALYST: Mr. HARSHIT KAPADIA - ELARA SECURITIES PRIVATE LIMITED**

**MANAGEMENT: MR. SHANTANU KHOSLA – MANAGING DIRECTOR - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**

**MR. MATTHEW JOB – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**

**MR. SANDEEP BATRA – CHIEF FINANCIAL OFFICER - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**

**MR. YESHWANT REGE – VICE PRESIDENT, STRATEGY AND FINANCIAL PLANNING - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Crompton Greaves Consumer Electricals Limited Q4 FY2022 Earnings Conference Call hosted by Elara Securities Private 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshit Kapadia from Elara Securities Private Limited. Thank you and over to you Sir!

**Harshit Kapadia:** Thank you Vivian. Good morning, everyone. On behalf of Elara Securities, we welcome you all for the Q4 FY2022 and FY2022 Conference Call of Crompton Greaves Consumer Electrical Limited. I take this opportunity to welcome the management represented by Mr. Shantanu Khosla, Managing Director, Mr. Matthew Job, Executive Director and Chief Executive Officer, Mr. Sandeep Batra, Chief Financial Officer, and Mr. Yeshwant Rege, Vice President, Strategy & Financial Planning. We will begin the call with a brief overview by the management followed by a Q&A Session. I will now hand over the call to Mr. Khosla for his opening remarks. Over to you Sir!

**Shantanu Khosla:** Thank you Harshit. Good morning, everyone, and thanks for dialing in to our quarter ended March 31, 2022, call. First, I hope all of you and your families are fully vaccinated healthy and safe.

Before I touch upon the Crompton performance, I would like to briefly give an update on our Butterfly acquisition. In the last quarter we had executed a share purchase agreement of February 22nd to acquire 55% stake in Butterfly. The transaction was closed on March 30th through the stock exchange settlement process. We have launched a process of mandatory open offer to the public shareholders of Butterfly for the acquisition of up to 26% stake at a price of Rs.1433.90 per equity share. The tendering period for the open offers commenced on 23rd May and expected to conclude on 3rd of June.

As we have mentioned before, this acquisition, we believe there is a transformational step towards Crompton’s long-term strategic goal becoming a leading pan India player in the critical small domestic appliances segment. As one of the few integrated manufacturers in this space Butterfly offers immediate scale in kitchen appliances with its diverse portfolio, increasing our share of SDA significantly. This diverse portfolio spans a complementary set of segments including mixer grinders, stoves and cook tops, tabletop wet grinders, pressure cookers. We have obviously commenced the post merger integration plan with the objective to run the business operations smoothly and start monetizing identify synergies.

As we moved into the process of integration, we are overall finding that the process is going on extremely smoothly. We have installed a new Board of Directors, have put in some key capability including the Managing Director, Mr. Sriram who use to run our fans business.

The overall organization feedback from Butterfly employees which we are collecting on a regular basis is positive and they all see this integration is a good thing for the business and themselves. We are continuing to see that both on the demand side and on a cost side that the synergies are beginning to be identified and we are beginning to execute our programs against them. We will obviously talk much more in terms of actual performance at the end of the current quarter but so far, we are extremely pleased with the program.

As communicated by the Butterfly management at the end of its quarterly results there were certain charges which had been taken into the Q4 P&L of Butterfly. This included reduction in stock levels in the channel due to uncertainty created by the transaction, lag between the steep increase in commodity prices and pricing action which has now been corrected and the assessment of management that there was a need for some additional provisions to be made including provisioning for old and ageing inventory and additional provisioning for expected credit loss. As we have been operating the business that has been operating over the last couple of months or so we believe that the growth in revenue and margins is being witnessed on expected line and we do expect the structural profitability of the business to continue to be strong.

Moving on to the way we are seeing the overall economy right now, the economy was really well on its way to recovery before the commencement of the last quarter with both manufacturing and service sectors exhibiting consistent growth. However, life is never simple. The emergence of new COVID disruptions in January plus the issues created out of the Russia Ukraine crisis and more recently rising inflation has continued to post fresh challenges.

Further volatility in financial markets, supply side disruptions and shortages of the critical inputs such as semiconductors and chips pose downside risk to the economic outlook. However, we do believe that some of the reforms undertaken by the government such as significant increase in capital expenditure on infrastructure, trust of domestic manufacturing and technology enabled developers should continue to keep our economic growth relatively robust.

Moving on specifically to the Crompton business in Q4 the, business was significantly impacted in the month of January due to the disruption caused by Omicron while the impact of the illness on Omicron is relatively lower than the extent of number of people who got impacted was significantly higher for the first time. We had large numbers of our own employees impacted by the Omicron variant. However, on the positive side post January the

business quickly came back to normal and February and March maintained a strong growth trajectory. Growth was strong across categories in February and March and the total company growth for February and March was a nice double digit with a two-year CAGR of 36%. In fact, the month of March itself was the highest ever recorded revenue month for our company. For full year 2022 revenue grew by 13% versus last year and importantly the profitability was broadly maintained despite steep increases in input costs and stepped-up investments in key initiatives like brand building, our investments in R&D center and innovation and strengthening alternative channels.

The ECD business grew by 3% on a two-year CAGR of 29%. Net of pumps ECD grew by 7%. The pumps business continues to be impacted due to an industry wide slowdown. Fans for the quarter performed strongly growing at 8% with a two-year CAGR of 32%, lighting revenues declined by 7%. However, the growth momentum continues in B2C LED business with a two-year CAGR of 14%. The key drag continues to be our B2G segment.

As far as market share on a rolling 12-month basis, we have gained three points market shares in fans. Crompton is the only company to gain market share quarter-on-quarter over the last two years by demonstrating the all-round constant improvement across our key pillars. We have also improved market share both in the water heater category and the strategically important LED down lighter or panel's category by 1%.

Our EBITDA margins came in strongly superior to most of our competitors at 14.5% for the quarter despite continuing extraordinary commodity cost headwinds. Unprecedented increase in key commodities on account of the new COVID variant and the geopolitical tensions continue to put pressure on profitability in Q4. As we have been doing, we have been focusing our efforts quarter-on-quarter in mitigating these cost impacts.

We have consistently been addressing these through accelerated cost savings through Unnati Program where we saved about 68 Crores in Q4, continued focus on premiumization across segments and appropriate pricing actions. We have also worked to use our cash book to advance contracts on commodities. With these, we continue to do relatively better on margins in a year highly impacted by commodity inflation. Importantly, it has helped us maintain our long-term investments in brand building, our new R&D center and strengthening of alternate channels. We do expect raw material inflation to continue over the medium-term and our plans to continue to mitigate them remain the same.

During the quarter we witnessed strong improvement in working capital requirements. Our working capital was lower by 148 Crores. Our cash position stands at 1,514 Crores standalone as on the year ended FY2022. We have earmarked 666 Crores for the open offer process of Butterfly Gandhimathi Appliances Limited. We continue to maintain a very

healthy balance sheet and cash position which we believe will continue to help us stand strong especially in these turbulent times.

As mentioned, we have continued to invest in our key strategic choices.

On go to market excellence, we focus on superior partnership with trade. We have empowered our channel partners to help them grow their business and continue to support them during these tough times.

Our percentage regularly billed dealers continue to stay at a high level. We have focused on improving reach. Our efforts are clearly visible in improved reach on a rolling 12-month basis of our overall Fans portfolio by 4%, LED bulb by 1%, LED Panel by 1%.

Technology as an enabler stays a key focus area. This helped us to improve our secondary sales tracking and information gathered from our Tally patch which gives a direct secondary sales data - Now covered 85% of our total sales.

Our investments which we have been making in alternate channels continue to pay strong desired results. Our rural sales through both direct and indirect distribution model delivered an exponential growth of 146% in Q4 over last year albeit over relatively small base. We continue to gain share in this market. This channel contribution has grown to close to 5% from 2.2% in the previous year. It also witnessed a sequential growth of 30% over Q3.

Product innovation where we have invested significantly stays a key focus and a key driver for our business and we continue to introduce over this period a number of critical initiatives on fan, appliances, pumps, and lighting and these are all helping our business stay robust. We have stepped up our brand awareness across media platforms to increase recall across consumer touch points. Several brand awareness campaigns were executed in lighting and water heater segment across both above and below the line platform. We executed a strong campaign of ceiling lights positioning on the three in one lighting modes which clearly has resulted in share growth in the segment. We launched a plumber loyalty program name Saathi which is built on a technology platform and which will help increase our share in the pumps business. In Q4, our investment in A&P activities stood at 17 Crores.

The commodity cost headwinds continued in Q4 and in the month of April putting continued pressure on margins. However, we have seen a little bit of softening of input cost in the medium-term and we do expect that in subsequent quarters we will begin to see some extent of benefit on this. Rising interest rates and inflation is another headwind as we look forward and this potentially could tap from the growth though the base effect given that the last year in this quarter, we had a strong COVID impact should show high growth. We would continue to invest in our long-term growth initiatives, our brand building, innovation,

and alternate channels. We obviously are closely monitoring commodity cost and taking appropriate pricing mix and cost saving actions to negate to the extent possible these input costs.

Now quickly taking you through the numbers, the Board of Directors at its meeting held on May 26th approved the quarterly results of the company for the quarter ended March 31, 2022. The total income for the quarter was 1532 Crores consolidated 1548 Crores. ECD revenues stood at 1231 Crores and EBIT margin at 18.5. Lighting revenues stood at 301 Crores consolidated 317 and EBIT margin stood at 11.4 consolidated 14.1. PBT stood at 215 Crores, PBT margin stood at 14.1 Crores, PAT stood at 182 Crores and PAT margin at 11.9%.

I would like to now stop here and take any questions you all may have. Thank you very much.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Bhavin Vithlani from SBI Mutual Fund. Kindly proceed.

**Bhavin Vithlani:** Thank you for the opportunity. I have two questions; one is in the previous call you had mentioned that Butterfly's acquisition will be EPS neutral for year one now given the results that have come out on the fourth quarter, do you still maintain that and if yes why and if there is a change also, why. The second is more of a housekeeping question if you could just help us with what was the growth in the full year basis for water heater, pumps, and air coolers business?

**Shantanu Khosla:** Let me take the first one and then if Sandeep has anything to add he can add on to that. Yes, we had said that we expect year one to be largely EPS accretive. We continue to expect that to be the case. To be clear as we had mentioned the impacts which you saw on the Q4 P&L of Butterfly is pre-acquisition given that it came in on the March 30, 2022, and as explained the bottomline impacts were largely driven by elements which we do not see as recurring. As we have seen the business over the past six weeks or so we are quite comfortable with what we had forecast ourselves in terms of the base business and the way top and bottomline synergies would begin the flow. Anything to add Sandeep.

**Sandeep Batra:** No, I think just to reiterate that whatever was our business case for year one basis which we had called out that the transaction will be EPS neutral in the first year that entire base case is very much intact.

**Shantanu Khosla:** In terms of your question in terms of the full year growth for water heaters the full year growth have been in excess of 30%, air coolers I do not have the exact numbers but it is in low double digit but just keep in mind that this two year we have had part of the selling

season being disrupted so I think that has had some impact on the cooler growth but that is closer to low double digits while geysers is more than 30%. In fans our growth for the full year has been 18%.

**Bhavin Vithlani:** Pumps also Sir?

**Sandeep Batra:** Pumps has been basically 2% growth as I mentioned most of the industry is facing a significant issue for the full year in pump, we have delivered a growth of 2%.

**Bhavin Vithlani:** Thank you so much for taking my questions.

**Moderator:** Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Kindly proceed.

**Ravi Swaminathan:** Thanks a lot for giving me the opportunity. If you can give the volume and value growth breakup the number of volumes across all these products for full year and quarterly, it will be great Sir?

**Shantanu Khosla:** We are happy to share, but instead of that reading out all these numbers you can now contact Yeshwant after the call and he will share the tables. No problem. Okay! That will be better.

**Ravi Swaminathan:** Sure. On a blended basis what would have been the price increase that we would have taken across the ECD business year-on-year for the full year if you can just share that?

**Shantanu Khosla:** The full year average price increase across ECD if I take would be close to 15%.

**Ravi Swaminathan:** For full year it will be 15% is what you are saying?

**Shantanu Khosla:** Around between 13% and 15% because there is different seasonality for different categories within appliances but now the average would be somewhere between 13% and 15%.

**Ravi Swaminathan:** The pumps business has been slightly on the softer side if I recall right is the second year what is foreseeing those challenges over there and what is the pass-through recovery if you can talk about that?

**Shantanu Khosla:** I mean the pumps industry has been facing now it is an industry wide issue obviously. One of the contributing factors could be there are two contributing factors I can think of one is the kind of monsoons that have been there last year I think that has played a significant part especially in some of the big pump markets there has been excessive monsoon last year for example in Bihar for example so that is one and second I think definitely the kind of price increases that the industry has seen to the tune of around 30% and it is definitely having



some dampening effect on volumes especially when you combine that with the kind of monsoon that has played out in the large market so I think so one that is the industry wide issue definitely if I look at the top five players I would think that most of them have actually not grown their business so it is an industry wide issues I do not think it is anything that specifically to Crompton.

**Ravi Swaminathan:** Got it Sir.

**Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL Securities. Kindly proceed.

**Renu Baid:** Thanks for the opportunity I have one question each for Crompton and Butterfly first for Butterfly we did mention that margins have impacted because of commodities what kind of price hikes have been taken and by when do we expect gross margins of 40% which the business was doing earlier to revert and thereafter the synergies to kick in some color on the margin trajectory?

**Shantanu Khosla:** Average price increase have been taken starting from towards the end of March in some channels and some channels in April to the tune of 4% to 5% obviously you mentioned how much time will it take to get back to 40% and I think 40% margins were primarily only in the first quarter of last year thereafter the margins have come down so we are rather looking at one growing our revenues and I would look more at EBIT margins and look at the gross margin per se because that is how we would like to get the benefit of the scheme that we will create as we go forward.

**Sandeep Batra:** We do expect that EBIT margins will recover pretty fast, this fourth quarter margin numbers as Shantanu said, they are nonrecurring charges.

**Renu Baid:** Right so the idea was even if we adjust gross margins because this company has pretty flat gross margins of 40% so if we have under recoveries of 3% to 5% points then at the EBITDA or EBIT level to come to 10% could be EBITDA of struggle in this kind of environment and then trying to do the math on EPS accretive is where I was coming from?

**Shantanu Khosla:** I think Renu what you must add it has a combination of as always continued to have mix improvement, cost reduction and pricing which resulted in getting to our target EBITDA.

**Mathew Job:** I think the quarter four also keep in mind that the top line growth also was soft for Butterfly in quarter four obviously because of as Shantanu mentioned almost 50 Crores to 60 Crores that revenue was loss because of the uncertainty around a transition that is happening.

**Shantanu Khosla:** So, net currently we are feeling good about the initial progress in Butterfly business wise and organizationally and we are seeing absolutely no reason if anything we are seeing reinforcement that the forecast and the projections, we were making are pretty much doable.

**Renu Baid:** Sir my second question is if you look at the core business Crompton portfolio while two-year CAGR is optically higher we were against a low base of the first wave which is significantly impacted March numbers whatever three-year CAGR basis ECD portfolio has just been up 12% which actually is in line or actually slightly softer than the average price increases taken in the last 12 months. So, are we seeing demand headwinds in terms of volume growth because of price increases any pockets of slowdown you are seeing are you think now along with the inflation impact, mid teens kind of growth for the portfolio should be doable with new product expansion coming on the ECDs of the clients aside?

**Shantanu Khosla:** Again you need to just look at these numbers ECD minus pumps and pumps because there is no doubt that pumps has been relatively slower including volume decline over this period so if I talk about the non-pumps part of the business I think we feel unless we had some new headwinds we feel reasonably good about the demand situation and we have been seeing that over the second half of this last quarter, pumps I think the recovery will take a little more time because as Mathew said given the nature of the category it is linked to overall macroeconomic situation and inflation more than the others.

**Moderator:** Thank you. The next question is from the line of Sonali Salgoankar from Jefferies. Kindly proceed.

**Sonali Salgoankar:** Sir thank you for the opportunity and congratulations on exhibiting a great margin resilience amidst these challenging times. Sir again I have one question each one on Butterfly and one on Crompton. On Butterfly can you please help us understand the key synergy drivers which you have identified in terms of revenues, cost and distribution channels as well and second question on Crompton is you mentioned the price hikes taken during the year in ECD can you please help us with the price hikes taken in lighting as well and the capex numbers? Thank you.

**Shantanu Khosla:** On Butterfly first and I now the kind of touch the key ones right obviously we have got a very detailed list of these. First there is clearly an opportunity which we are seeing in the premiumization, in the more premium segments of the existing Butterfly categories. They tend to be more developed there and we have already begun the work given the backend capability that Butterfly has to develop products which can better meet the more premium needs which is a faster growing segment. Second there is clearly a go to market opportunity. Now the interesting thing about the go to market opportunity is that we all knew and we all talk about the fact that the Butterfly business is largely south based and west and north if you will largely wide spaces now that remains but even more interestingly

if you start unpeeling the south you see that there are clear growth opportunities in terms of wide spaces by investing in go to market in non-Tamil Nadu so states like Karnataka, AP, Telangana represent and immediate relatively low hanging fruit, finally there is clearly an opportunity to get more investment for synergy in terms of consumer marketing and advertising etc., which has also began so those are if you will three blocks of revenue synergies in the existing categories. In terms of cost well there is many synergies starting from simple buying synergies now for example material which has got copper for motor winding the consolidated growth now has much data scale in copper buying etc., etc. So, there is some simple scale synergies in terms of buying which can come but beyond that as we have demonstrated in Crompton itself if you put in a good focus program on cost reduction you can see a lot we are in so frankly we have that now we have less cost reduction program in place and we are seeing a part the significant cost synergies in all kinds of areas.

**Mathew Job:** And the other question was in terms of lighting how much the price increase during the year is is about 7% during the year obviously it is much lower than ECD but it is also through that the commodity impact in lighting also has been lower.

**Sonali Salgoankar:** Sir and capex and also follow up question on the synergies are there any quantified targets that we have identified during the first two years or so for revenue or cost?

**Shantanu Khosla:** Absolutely yes can I share them at this point? No.

**Sandeep Batra:** So, on capex, Sonali other than if you look at maintenance capex for us will be in the 40 Crores to 50 Crores range obviously if there is any decision taken to significantly expand capacity that will have its own capex implications but for now maintenance capex you can consider to be in the 40 Crores to 50 Crores range.

**Sonali Salgoankar:** Sure, thank you Sir.

**Moderator:** Thank you. The next question is from the line of Siddharth Bera from Nomura. Kindly proceed.

**Siddharth Bera:** Thanks for the opportunity. Sir my first question is on the appliance side of the business we have seen the growth coming off quite a bit over the past few quarters can you highlight what would be the reason here and going ahead now will you also focus on the Crompton supply portfolio, or will it be entirely led by Butterfly only so if you can just highlight here?

**Shantanu Khosla:** I think like in this quarter, quarter four obviously the January impact of Omicron was across all categories including appliances but if I just give you some numbers for example as I mentioned water heaters we grew by 30% even in this quarter so structurally I do not think in appliances growth is coming down at all there might be a little bit of blip here and there

but that got more to do with quarter-on-quarter movement of north numbers so if I look at structurally I would not say that there is any downtrend in appliances growth. Second thing is like we said the Crompton appliances portfolio will continue on its strategic part irrespective of the Butterfly acquisition. In fact, if I look at it, I will think that there should be a significant benefit to our own growth when we leverage the capabilities and Butterfly went through the table so without a doubt that the Crompton growth in terms of a category will continue to be driven like it has been driven all these years.

**Sandeep Batra:** There is no overlap very limited overlap no may not be the right word very limited overlap between Butterfly's portfolio and our product portfolio?

**Shantanu Khosla:** In fact, the capability that the Butterfly R&D brings should actually help drive the Crompton portfolio even stronger so there is no downside at all.

**Siddharth Bera:** But Sir would it be possible to quantify like how much will be the appliance growth in February, March, April in that period understanding that January might be affected?

**Shantanu Khosla:** Yes, February, March is addressed 18%.

**Siddharth Bera:** The last question on the fan side I mean we understand that couple of new players have also come up like Finolex and we already had some other players also now focusing on this fan segment so going ahead what is your outlook on the growth side from here market share gains you think will be difficult or probably the profitability of the industry might be lower how to think about the growth in the fans?

**Mathew Job:** New companies have been entering for quite some time some of the well known names of other industries have been entering this segment for more than two, three years now and it is also true that the competitive intensity in the fans industry has multiplied manifold over the last five, six years somewhere to the period before but the fact remains that Shantanu mentioned before we continue to gain share in every quarter we are probably the only company which has gained share every quarter in the last three years so there is always be challenges for us to say but there are also opportunities for example driving BLDC growth gaining share in BLDC so I think a lot of the headwinds that will come with increased the entry of new players but at the same time there are standards getting increased as you know that BEE is going to come in with the new standards for January because I in fact have a lot of these will favor the opportunities for us to grow further.

**Siddharth Bera:** Understood Sir thanks a lot I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Anirudha from ICICI. Kindly proceed.

- Anirudha:** Thanks for the opportunity. As you have indicated that gain market share in fans. Can you indicate the exit market shares all the major water heater, pumps, cooler fans for March and second question in case of Butterfly whether all the restructuring is largely done means for whatever extraordinary expenses we had to take are they already in the March quarter results there will be any such do you see any such possibility for any such extraordinary expenses in current year?
- Shantanu Khosla:** The extraordinary expenses are done. We do not see them coming up again and again. Obviously the complete restructuring integration etc., etc. is not yet done that is the process and we expect that process to take 12, 18 months similar to what it took in the first set of Crompton; however, as we move forward just like in the case of Crompton everything will be focused on things and activities that kills the business and there will be organization therefore we expect that each activity will payout in itself.
- Sandeep Batra:** In terms of paying exit market share you have and fans is 29% exit March it is 3% points above what it was the same period last year.
- Moderator:** We will move on to the next question. The next question is from the line of Akshen Thakkar from Fidelity International. Kindly proceed.
- Akshen Thakkar:** Two questions from my side Sir. Could you just throw some light on how the air cooler business is doing, last two years you had some disruption this will possibly be the first summer where you do not see disruption so how is that panning out and also some color on how the pump business growth in your estimation normalizes over the next whatever four six quarters how are you thinking about that that is question one and question two is in lighting we have had obviously volatility in the B2B business now that is in the base if we roll forward 12 to 24 months do you think this business steady state can grow a double digit or you think there are still overhang either from pricing or from higher salience of B2B that will impact the growth?
- Shantanu Khosla:** See the air cooler business has been doing well. You are right in the last couple of years unfortunately we have had the COVID impact because COVID hit us in the peak of the selling season for air coolers and air coolers are highly seasonal business. If I look at the current period which is starting from March we have seen good traction of course has got to do with very harsh summer that has been going on across the country although there has been some impact also on commodity win in air cooler but I would say air cooler this is up to our expectation that is one. In terms of lighting yes actually if I remove the government business where I said there has been significant amount of challenge that has been going on even in Q4 the business lighting where B2B business has started to cover showing double digit growth if I exclude the government business. We think the government business will still take some more time to recover so that would create still some headwinds to the growth

in lighting but definitely I would not think lighting B2C and nongovernment B2B business together should be perfectly capable of delivering a double digit growth going forward.

- Akshen Thakkar:** What would be the salience with the government business right now?
- Shantanu Khosla:** Within the B2B portfolio almost 25% to 30%.
- Akshen Thakkar:** And B2B would be what about 45%, 50%.
- Shantanu Khosla:** Roughly half of the lighting business.
- Akshen Thakkar:** Sir 25% is government and that you think will have growth headwinds 75% will grow at double digit is that sort of broadly can go?
- Shantanu Khosla:** That is our expectation going forward yes.
- Akshen Thakkar:** Alright great that is it from my side. I will step back for another question just wanted to thank Sandeep for the wonderful work that he has done as a CFO and all the best to him in his endeavor. Thank you.
- Moderator:** Thank you. The next question is from the line of Devansh Nigotia from SIMPL. Kindly proceed.
- Devansh Nigotia:** Thanks for the opportunity. Lighting segment if you look at last two years and even before that I mean the B2B business as a channel has been continues for us but when we look at the peers in the industry they have been grows at a fairly stronger pace with similar mix of B2B and B2C so if you can just elaborate a bit more on why this government business we are facing so much challenge and what steps are you taking to rectify that.
- Shantanu Khosla:** I think first of all the mix of B2B and B2C is not same for all the companies that is one. The other thing one needs to keep in mind is a mix of conventional products and LED is also not the same for all the products. So obviously for some of our competitors are far lower with the conventional compared to Crompton a lot of other companies have a much lower mix of B2B versus Crompton so obviously there is some significant difference in the makeup of the lighting business. Now I would say that one area where we have grown a little slower and which is where we are placing a lot of focus now is to grow our B2C lighting business and that is where you will see that after a gap of a few quarters we have started to gain share again in B2C lighting and although it is still I would say slower than what we would like to do but that is where they are going to focus all our energies drive growth going forward and when B2B the government business comes back that will help with the overall growth of the lighting business for us.

**Devansh Nigotia:** But in case of convention in LED I mean that has fairly stabilized at 80:20 for last two years?

**Shantanu Khosla:** No, in fact the conventional lighting is now down to single digits. If I look at it, it has been declining 20%, 30% almost on a yearly basis so it is not going to be a long before the conventional will hardly seem to exist and of course one of the deliberate we will have is obviously declining pretty sharply I think every year with every passing year in the base you have much lower in a conventional lighting so that will also help us as we go forward to see the growth.

**Devansh Nigotia:** How should we understand that to eventually is going to be the promoter of the company because now the stake is at 6% so eventually who will send the vision and mission for the company who will eventually be the key decision maker major top level decision who will be taking going forward?

**Shantanu Khosla:** This company from its day of formation has been a board driven company. Even when we had both Advent and Temasek as promoters the decisions were taken by the board they continue to be the key representatives of the shareholders and we continue to be a board driven company and that is how we believe it will remain so we as management we serve the pleasure of the board, the board is ultimately the key authority and the board with a pleasure of the shareholders. So there maybe never been operationally if you will a separate promoter decision making process.

**Devansh Nigotia:** Thanks a lot. This is it from my side.

**Moderator:** Thank you. The next question is from the line of Girish from Morgan Stanley. Kindly proceed.

**Girish:** Thanks for the opportunity. I just had one question. If you can give us the FY2022 value and volume growth ex pumps business please?

**Shantanu Khosla:** Ex pumps business very difficult. I can tell you for example initially if I remove pumps initially we would have grown roughly 17% full year growth the 17% because with pumps the ECD growth comes down to 12% that because pumps will only grow 2% but if I exclude pump from ECD we have grown 17% in ECD and lighting has grown roughly 9% for the year.

**Girish:** Pricing you had said was 15% so simplistically would it be like?

**Shantanu Khosla:** Yes, for pricing I would say it is 13% to 15% but it is very difficult to them call out because this while we have taken 13% to 15% per category the mix of the category is also has

changed because of low growth in pumps so it would not be wise to then that the volume growth is only 3% or 4%.

**Sandeep Batra:** Because it is not right to look at volume growth averaged out because these are all units so a pump could cost Rs.10000 and a fan could cost Rs.1500 and bulb could cost Rs.500. So when you look at volume and value comparison you need to look at it by segments.

**Shantanu Khosla:** But it would be fair to say that both inventory if you take out pumps it is fair to say that in both fans and appliances volume growth is in low single digits that I think still is pretty good given the situation which was there during the year.

**Girish:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Kindly proceed.

**Rahul Agarwal:** Good morning. Just two very short questions firstly on the cost saving 68 Crores just wanted to know this is at the gross margin level or the EBITDA level and if you could just highlight some line items here and the second was the nature of the debt raised for Butterfly it is about 1155 Crores and what is the firm rate of interest and repayment schedule which you just discussed it looks like bit higher than what I would have expected as an analyst just two questions. Thanks.

**Shantanu Khosla:** Most of the 68 Crores saving would have accrued at the gross margin level, most of it, not all, a significant part of it.

**Sandeep Batra:** The debt that we have is we have raised commercial paper in two tranches, 600 Crores each one tranche is repayable in September and the other one in March of next year and the overall cost is around 5.5% at which we have borrowed this.

**Rahul Agarwal:** And on the gross margin level the cost saving 68 Crores could you just elaborate a bit mean how does this number basically how do you calculate this?

**Shantanu Khosla:** This is actual saving accrued in the quarter. So it is not something which is reduced which may come into benefit in six months later so these actual savings accrued in the quarter and when Mathew said is that they are gross margin. Let me give you an example of the kind of things we are talking about. If you take pumps, pumps have two motors it has the basic motor which transit and it has a motor which starts. We have converted in pumps that starting motor from copper winding to aluminium winding. Now the core thing about this thing is not only saving you cost on the material but it so happens at aluminium winding has a higher torque than a copper winding motor so this actually effect improves the starting performance and reduces pump jams so it is a project of this nature because frankly we have



been doing this kind of work now for three four years and been saving 2% to 2.5% every year.

**Rahul Agarwal:** Best wishes to Sandeep for his future endeavor. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Kindly proceed.

**Achal Lohade:** Good morning. My question was if we look at the overall scenario you have been talking about decent demand scenario for last few quarters I mean if I recall since last 3Q FY2021 and we have also seen market share gains yet we are talking about the volume growth is actually kind of flat or marginally positive for us so is it fair to say that industry has seen a decline in volume and if yes I mean in the context of people saving on the other expenses and spending on the in-house improvements how do we tackle these two things?

**Mathew Job:** Obviously like we said we have taken 13% to 15% price increase in most of the categories and if I look at most of our competitors they would have also taken maybe slightly lower maybe 8% to 10% during the year so assuming that the industry has an average figure of 10%, 11% kind of price increase, we think the market volume growth maybe flat maybe marginally plus or minus but nothing beyond that. So that is one because again the problem is the overall numbers like Shantanu mentioned gets a little bit clouded, in pumps because of pumps and pumps have to be in the big laggard but otherwise I would think the volume growth would be in low single digits.

**Shantanu Khosla:** Therefore during this the second part in your question if you will 14%, 15% inflation these are categories which typically use to take price increase at 2% to 3% a year so in the context of there is a huge levels of price increase so the consumer behavior would definitely be okay my fan is giving me a little bit of trouble, I get it repaired instead of buying a new one, I delay my purchase a little bit maybe I buy a slightly cheaper fan so that kind of consumer behavior would definitely happen in this period when you have extreme inflation. Now we had expected when we ended last calendar that this was sort of behind us but obviously that Ukraine and everything has created another round of inflation so it is well probable that while value growths may rebound nicely in the coming years volume growths of the categories may still remain muted still inflation settles down to somewhat normal level but that we will have to see as we move forward.

**Achal Lohade:** The second question I had specifically on the lighting business you mentioned that the B2G and also partly B2B is creating the hurdle actually in terms of comparing with the peers my question was any update you could share on the fixture part of it because I presume the fixture mix is reasonably low as compared to the market leader, if you could talk a little bit on that that would be of great help?

- Mathew Job:** Let me talk the B2C, B2C you have the bulb business and then you have battens and panels. In fact the struggle that we have been having in B2C is more on bulbs and battens and panels have been especially panels has been growing pretty strongly and then Shantanu mentioned, we also started gain share in panels also our panels share is actually below our overall B2C lighting share so there is still a lot of opportunity to grow our ceiling lights share. The bulb business obviously I think it is true for all the key players the bulb business to large extent because of the actions of many of the players have got to some extent commoditized and that is why you see most of the large players losing share in bulb we have for example manage to hold our share and bounce and actually started to grow in battens and panels, so LED fixture is actually growing much faster than the bulk business.
- Achal Lohade:** Would it be possible to give a mix how much just a clarification if you could just a fixtures mix within the B2C LED Sir?
- Sandeep Batra:** I would say now it is about 60%.
- Achal Lohade:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rahul Pecha from Multi-Act. Kindly proceed.
- Rahul Pecha:** Thanks for the opportunity Sir. My question is on Butterfly. I wanted to understand the EPS neutralizing a bit better so when I workout the number the price that we have spend for acquiring the company I think in my calculation we need to do 100 Crores to 120 Crores of profit in Butterfly for it to work out to be EPS neutral so is my number way off compared to what you are working with internally or is there some misunderstanding?
- Sandeep Batra:** Yes. There is some difference I do not know which profit number you are talking I mean whatever you are saying 100 Crores and 120 Crores whether it is EBITDA or whether it is PAT but I would suggest, I think you reach out to Yeshwant he will help clarify.
- Rahul Pecha:** On the margin improvement side that we are talking about so which are the main sources through which you expect margin improvement and a question connected to that when I look at A&P spends for Butterfly it is roughly in the range of 10% to 12% of sales for the last many years which is very high when I compare it with peers across industries and the consumer durable segment as well so within that I wanted to understand what was pure advertising and what is just simply sales promotion and discounts and channel related promotions and how do you look at that spend evolving going forward?
- Mathew Job:** See margin levers as we mentioned is going to be a combination. Shantanu covered already the cost part of it obviously we think there is significant cost synergy available, and we started working on it already and we have good experience in Crompton having done this

for five years. There is also a mix lever available and that is probably also it is a mix between the products but it is also a mix of retail versus e-com because lot of the growth in Butterfly in the past have been driven by e-com and retail freight growth has been comparatively underperforming, one of our focus is to get that level up and with that happens obviously you are going to get some benefit the combination of mix and cost will help drive. The second question on A&P most of spend in the past have been on promotion and very limited in terms of brand building. We think obviously as we start expanding to other regions is going to we could have to spend significant on advertising so there could be strong some recasting of the mix between advertising and promotion and what we think is a lot of the benefit that will accrue from cost saving, margin improvement a significant part of that will have to be reinvested in building the business outside the south so that is what is in our entire model going forward.

**Rahul Pecha:** Thank you.

**Moderator:** Thank you. The next question is from the line of Aakash Javeri from Perpetual Investment Advisors. Kindly proceed.

**Aakash Javeri:** Thank you so much for the opportunity. My first question is that in general how do we see BLDC fans doing over the next three to five years and could you throw some light on the technology behind it? Is it something difficult to figure out and do we have any IP on the motor or if you could just throw some light on that?

**Mathew Job:** Obviously BLDC energy saving technology obviously is going to be one of the key areas of which we expect will grow in the fans business so obviously BLDC being one of the most promising technology today is going to be one of the key focus area for us to the going forward. Still now we have been working now in partnership with some of our partners in terms of developing the BLDC technology that will continue to one avenue that we will continue to pursue and we are also looking at other options in terms of how can we develop some consumer differentiated proposition and then see if any it can be developed around that I think then of course if you will follow there in BLDCs are going to be no different from what we have done for all the other categories but definitely is going to be a key focus area for us going forward.

**Aakash Javeri:** Thank you so much and just another question was when we expect mandatory BEE rating to kick in for fans?

**Shantanu Khosla:** January next year.

**Aakash Javeri:** We see the delta between BLDC and induction motor reducing over a period of time or those BLDC always be slightly premium?

- Mathew Job:** It has been reducing already if you see the gap between BLDC and induction motors have come down from being more than 2x to significantly lower as the volumes starts to build I think that gap will come down whether we will actually get to induction motor level, it is very difficult to say at this moment.
- Aakash Javeri:** Thank you so much for answers and all the best for the next year. Thank you.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to Mr. Harshit Kapadia for closing comments.
- Harshit Kapadia:** Thanks Vivian. We would like to thank the management of Crompton Greaves Consumer Electrical for giving us an opportunity to host this call. We would also like to thank all the investors and analysts for joining for this call. Any closing remarks Shantanu Sir you want to give to investors.
- Shantanu Khosla:** Thank you all for joining. As always we are trying to get the best to give you as much information as we can and be completely transparent. If anyone feels anything more please do not hesitate and contact Yeshwant or any of us then we will be happy to answer. Take care and all the best.
- Moderator:** Thank you. On behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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