

# Crompton

**Crompton Greaves Consumer Electricals Limited**

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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>
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<b>Our Reference: 39/2023-24</b>	<b>Our Reference: 39/2023-24</b>

Dear Sir/Madam,

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

With reference to our earlier intimation dated May 19, 2023 and May 22, 2023, regarding the Earnings Call on the audited financial results for the quarter and year ended March 31, 2023, held on May 22, 2023, kindly find enclosed the transcript of the same.

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

Thanking you,

**For Crompton Greaves Consumer Electricals Limited**

**Rashmi Khandelwal**  
**Company Secretary & Compliance Officer**  
**ACS - 28839**

# Crompton

“Crompton Greaves Consumer Electricals Limited  
Q4 FY2023 Earnings Conference Call”

May 22, 2023

**MANAGEMENT:** **MR. SHANTANU KHOSLA – EXECUTIVE VICE  
CHAIRMAN – CROMPTON GREAVES CONSUMER  
ELECTRICALS LIMITED**  
**MR. PROMEET GHOSH – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – CROMPTON GREAVES  
CONSUMER ELECTRICALS LIMITED**  
**MR. RANGARAJAN SRIRAM – CHIEF EXECUTIVE  
OFFICER AND MANAGING DIRECTOR – BUTTERFLY  
GANDHIMATHI APPLIANCES LIMITED**  
**MR. KALEESWARAN ARUNACHALAM – CHIEF  
FINANCIAL OFFICER – CROMPTON GREAVES  
CONSUMER ELECTRICALS LIMITED**  
**MR. YESHWANT REGE – VICE PRESIDENT, STRATEGY  
AND FINANCIAL PLANNING – CROMPTON GREAVES  
CONSUMER ELECTRICALS LIMITED**

**MODERATOR:** **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

**Moderator:** Welcome you all to Q4 FY '23 and FY '23 Results first-ever interactive webinar with senior management of Crompton Greaves Consumer Electricals. We have with us today, Mr. Shantanu Khosla, Executive Vice Chairman; Mr. Promeet Ghosh, Managing Director and Chief Executive Officer; Mr. Rangarajan Sriram, Managing Director, Butterfly Gandhimathi Appliances Limited; Mr. Kaleeswaran Arunachalam, Chief Financial Officer; and Mr. Yeshwant Rege, Vice President, Strategy and Financial Planning.

Now I'll hand over the mic to the management team for initial comments on quarterly as well as annual performance. Post that, we will start the question-and-answer session. Thanks, and over to you, sir.

**Shantanu Khosla:** Good morning, everyone. This is Shantanu here and thank you all for joining our year-end and Q4 analyst call. With me, I have Promeet, our Managing Director and CEO; Sriram; Kaleeswaran and Yeshwant. I will start as usual by making a few overall comments and I will comment largely on overall full-year perspective, and then we will move on finally to questions.

In an overall challenging environment, our consolidated revenue grew a strong 27% over the fiscal with a standalone growth of 8% on Crompton. Most importantly, in spite of the environment and the external challenges, we continued to ensure that we maintained and, in fact, stepped up our investments which will pay dividends in building our long-term strategic choices and business.

Firstly and most importantly, we continued to invest in our key acquisition of the Butterfly business. As you are aware, this was the first full year of Butterfly operating along with Crompton. We have, over this period, transitioned from the erstwhile promoters, made key growth interventions, and have begun efforts to consolidate and execute the joint business of the two companies. This has resulted in this fiscal in Butterfly delivering its highest ever profits with an EBITDA of Rs. 97 crores and the full-year revenue growth of 10%.

Secondly, we have continued to step up our investments in strengthening the brand and brand awareness and made consistent efforts to reach closer to consumers through our wide-ranging activities across various touchpoints. It included the launch of digital LED campaigns, defining a new brand architecture, structured digital marketing, in-store transformation, increasing influencer connect, etc. Over the full year, our advertising and promotion spending stood at 3.6%, a significant increase over the 2.8% of the previous fiscal.

Thirdly, as we have been doing over the last couple of years, we have significantly been investing in innovation and R&D, which we believe is a long-term lifeblood of our company. As you are aware, we made a significant step by creating an independent R&D centre a while ago. This year, that investment in capabilities, people and infrastructure continued, and our R&D investment this year increased 50% over the previous year and is now almost Rs. 80 crores.

Thirdly, we have continued to invest in the critical new category entry in the kitchen area, where we entered built-in kitchen appliances segment in Q1 of '23 with a comprehensive range of chimneys, hobs, built-in ovens, built-in microwaves, and dishwashers. Close to 10 months of

launch, the business performed well and is progressing as per our plans. Significant efforts and investment went on channel development and building strong back-end processes. The focus has always been to have a differentiated portfolio with superior features.

The built-in kitchen segment is Rs. 2,200 crores as a market and is growing at 10%. We are currently in the investment phase, and we will continue to spend towards distribution and marketing to achieve our goal of being a top 3 player with at least a 10% market share in the next two to three years.

Finally, we have continued to invest in significantly improving our processes and stepped-up investment in driving manufacturing excellence through Project Udaan. Our Project Unnati has delivered savings of Rs. 248 crores over this fiscal, which would be a key source of our ability to make the investments I mentioned above.

Additionally, I would like to touch on the key critical transition, which we went through at the end of last quarter and through the beginning of this quarter on our business fans, with the new BEE norms. As we talked in our last quarterly call, we do a conscious calibrated call on how we should transition with an objective of getting superior products into our customers, and thereby, into the hands of our consumers faster than competition. As we look back on the results of this quarter through the beginning of the Unnati program, it looks like this call is working as we have delivered competitively superior results across our fan business through this transition as compared to competition.

Finally, I would like to touch upon an area which we are proud of. As we had done this work obviously with an objective of building our business and delivering superior shareholder return, we are seeing that we are being more and more recognized in terms of rewards and recognition from outside parties, and we received a significant number of awards this year, which we laid out in our Investor deck.

We were ranked among the top 500 companies in India by Dun & Bradstreet. We won the title of India's Best Managed Companies by Deloitte. We were among the 10 companies to be recognized on the Next Leaders category by the Institutional Investor Advisory Services. We received a National Safety Award from the Global Safety Summit 2022 in the consumer electricals sector. Personally, something I am very proud of, Crompton was recognized as one of the best organizations for women in 2023 by The Economic Times. We also very recently, literally over the weekend, won two awards in the prestigious E4M Prime Time awards. These awards recognize excellence in advertising and brand building.

Before I hand over to Promeet to update us on Q4 performance, let me share that company's Board has announced a dividend of Rs. 3 per share versus Rs. 2.50 per share in the previous year. This is in line with our policy on dividend, which we have brought back up to a 40% payout ratio after the payout ratios having dipped during the COVID years.

With that, thank you, and I am passing it over to Promeet to talk more details of our quarter 4 performance.

**Promeet Ghosh:**

Thank you, Shantanu and good morning, everyone. Hello, this is the first time I am addressing you from this boardroom. But before I get into the details, I just want to talk a little bit about our new go-to-market strategy, which is going to leverage the combining strengths of Crompton and Butterfly.

As the first step, we are in the process of clearly defining the brand architecture of our kitchen appliances portfolio, which comprises of both Butterfly plus all domestic appliances business of Crompton as well as the large domestic appliances business of Crompton. This will help us to lay down the roadmap of where to play and how to win. Crompton's might of pan-India distribution network, along with Butterfly's product portfolio, will help us move in the direction of making Butterfly a national brand.

As you know, Butterfly is a very strong brand in the South region we are playing it to be a national brand. This will also be supported by redesigning our combined organization to serve the channel in an optimal manner. To start with, we will conduct a pilot project.

Now coming to how Crompton as a whole has performed. Consolidated Crompton Q4 revenue stood at Rs. 1,791 crores, which is a growth of 16% in the last year, while standalone Q4 revenues stood at Rs. 1,604 crores, a growth of 5% from the last year. Now particularly, as far as fans is concerned, our largest business - to give you a sense of color, value growth was flat in Q4. In FY '23, we recorded volume growth of about 3% and a value growth of about 5%.

Q4, as Shantanu noted earlier, was the first quarter post BEE implementation and we took a calibrated approach to managing our inventory across the last two quarters. And if you look at the last two quarters, Q3 and Q4, as a combined performance, you will see that we have performed quite relatively versus competition.

For the BEE transition, we had adopted a three-prong strategy, which has been out quite well. We took the lead in educating consumer, being market leader, on star rated fans. Secondly, we focused our efforts on mitigating the impact of cost increase, which have to be claimed for setting up the rating of our fans. And finally, the plans on strategic pricing interventions, thereby improving the competitiveness.

Now importantly, a segment that we focused on was the BLDC segment, which I am happy to say, grew 2.5x the previous year in the last quarter and it grew 2x year-on-year. Close to 3 lakh BLDC fans were sold in Q4, we rolled out the active BLDC campaign, and I think this is the air delivery, an innovative technology that goes behind our innovative energy-efficient fans. Through these efforts, we have seen growth across key markets including Ahmedabad, Pune and Bangalore.

Going forward, we plan to add more decorative offerings in the BLDC range. We have launched BLDC fan, Roverr, which is a smart 5-star rated under light fan, featuring active BLDC technology, anti-dust and fluidic telescopic design. With these efforts, we are now already among the top 2 BLDC players.

Continuing the focus we have had on improvisation, our premium ceiling fan segment continued to grow quite strongly in both value and volume about 20% over the previous year. Apart from ceiling fans, the TPW category grew greater than 10% also last quarter. There has been now focus on in-housing TPW range, which improves our control over quality as well as give us a cost advantage.

As you are aware, the fan segment has been quite competitive. The competition has multiplied manifold in the last five, six years. However, we continue to gain market share in every quarter over the previous last four years, and we have maintained our overall market share during the year while improving our share of premium fans.

Going forward, from a value consciousness and inflation point of view, consumers are more likely to be inclined towards a purchase of technology to create improved energy-efficient fans, which is a positive long-term pavement from segment. Further, post-pandemic, there has been a pickup in housing, which provides another structural pavement.

Now let us turn to pumps. In Q4, as you might already be aware, we took two important actions to bring our pumps business back on track. Firstly, we rolled out a new brand architecture for the mini pump series and strengthened our brand offering by introducing sharply differentiated products. Then we undertook some strategic pricing decisions to ensure that the price premium is at the level that the consumer is willing to pay for.

And now this is showing up in the business with pumps growing at a value of 15% last quarter. Overall, in the last year, the value growth for FY '23 has already been about 9%. With this, the pumps performance, as we said, has improved. And this is an important part of what we are undertaking to continue to strongly give an impetus to our pumps business going forward.

Along with the growth in the trade channel, we are focused on improving tractions in the modern retail channel as well as in the retail rural channel, which grew 2x in Q4 over a lower base cost from the previous year. If you recollect, last year, we launched a Saathi program, plumber loyalty program, which is technology driven. And I am happy to say that that is playing out quite well.

One of the key actions that you will see in the pumps in the near future include strengthening in the northern market. The plan is to roll out targeted ATL and BTL activities, along with the category revamp for key segments.

Appliances, I am happy to report that we had a value growth in excess of 40% in Q4. And in FY '23, we had a value growth of about 30%. The appliance business continued to show strong growth momentum. The core categories, water heaters and air coolers combined had a growth of 34% in Q4. And one of our focused and fast-growing categories, mixers and grinders, grew in excess of 70% and close to 2 lakh mixers were sold in Q4. 46 new SKUs were launched in the small domestic appliances category, which is part of the sale of the kitchen appliances. And focus on secondary sales and we focused on secondary sales by setting up nearly 100 distributors and made various feet on street (FOS) appointments. This resulted in significant growth in the business in small domestic appliances of about more than 60% in the last quarter.

Gearing up for the summer, a few new products have been launched, one of them is Cool Breeze, desert cooler with modern aesthetics and crude pump which works even with hard water. The other is Optimus Window Cooler, which is an extension of the Optimus series and has the highest air delivery and wider-angle throw.

Now to our flagship business, the large kitchen appliances business. This is a business that we are mentioning at the point and after close to about 10 months of launch, the business has performed well and progressing to plans. The focus is to have a differentiated portfolio with superior and industry-first features. Significant efforts were spent on channel development wherein 55 brand stores, signature stores in some cases and exclusive stores in others, are heavily opened across 12 city clusters. Lead generation campaigns and performance marketing has generated quality leads with good conversion rates.

NPD, the New Product Development roadmap, has been designed on the basis of unmet consumer needs. By 2024, we plan to be present in 26 city clusters with 100-plus brand store and continue our trust on lead generating campaigns. The kitchen segment has always been a focus area for us, this is the reason we got Butterfly and our entry in the built-in appliance segment will further consolidate our position in the space, in addition to driving growth and premiumization of the Crompton brand. With the above initiatives, the ECD segment in Q4 showed a revenue of Rs. 1,326 crores, growing at 8% versus last year. EBIT margin stood at 16.4%, an improvement of 60 basis points for Q3.

Now lighting. Lighting, as we know has been an area which has unshort our expectations and continues to be an area of improvement. Importantly, in this business, our value growth in the year has been flat. But also in Q4, our volume growth has been flat, while the value growth was in the negative, which means that we invested upon volume growth.

Now clearly an area of focus. What we have, as we speak, decided to do is to address our go-to-market in that segment. And what we are doing is we have now integrated our lighting D2C sales and brought it under the category head. Earlier, as you are probably aware, this used to be a part of the central sales structure. This will be the much-needed focus in alignment in the same. We have also, a few days ago, hired a new D2C sales head, who will be overseeing this segment.

Some of the other initiatives that we are undertaking is launching some innovative products, especially in the lamps and battens area with a low-cost delta. We have also recently entered some categories like tube light and table lamps, night lamps, etc. We continue to drive aggressive cost reduction through our programs like Unnati and Udaan. And finally, we are expanding our go-to-market reach as well with 35 new distributors in contract areas currently. And we are also building the rural and e-commerce channels for introducing further lines.

Now strategic initiatives. We have been continuously focusing our efforts on the implementation of identified strategic initiatives, which includes in-store detailed transformation, which aims to improve overall customer experience in-store. We transformed, probably 80% of the states and plan to cover another 500 additional stores in H1. Go-to-market acceleration, as we have already spoken about - the go-to-market initiatives that we are taking, both in looking at the overall

kitchen appliances area, which includes the small domestic appliance area of Crompton as well as Butterfly and separating out the lighting B2C business area.

Project Udaan. I expect that we talk about from time-to-time. It's focused on manufacturing and supply chain excellence. Unnati, we have been talking from time-to-time, continues to generate a few substantial savings. Even now our focus has gone beyond direct costs, also to indirect costs and we hope to see benefits we are having from that.

ESG finally; sustainability is something that is very close to our heart. Our sustainability efforts have been geared towards achieving energy savings, reducing supply chain miles for fans and appliances and promoting water conservation and management. We are ramping up our investments in R&D for long-term durability and performance of our products and in order to improve our consumers' experience in sustainable and eco-conscious products.

Finally, consolidated balance sheet and liquidity. Consolidated cash and cash equivalents at the end of FY '23 stood at Rs. 657 crores. And net debt at that time stood at Rs. 344 crores. Consolidated net working capital has increased by Rs. 104 crores versus March '22, mainly due to stocking for inventory build-up functions. Finally, we see a strong balance sheet positioning and very well placed to invest in the long-term development of the business and to continue to grow our business strongly.

**Rangarajan Sriram:**

Thank you, Promeet. Good morning, everyone. The Board of Directors of Butterfly Gandhimathi approved the results for the quarter and the year ended 31st of March 2023 on 12th May. So as per the results, our Q4 revenue stood at Rs. 187 crores with a margin decline of 2% versus last year. And our gross margin stood at 31.9%, and our EBIT margin stood at 2%.

The key highlight for the quarter is as follows. We continue to remain focused in improving the retail mix to drive the healthy business across the channels. That has resulted in one of the fastest growing and the retail continue to grow faster, it grows around 19% in Q4 with a healthy improvement in margins.

And I feel that e-commerce de-risk is behind us. We are getting the growth back in the e-commerce channel, which is critical, but we also plan to do so by fully listing the existing portfolios and launching channel specific products. And we continue to remain focused on building capabilities across functions in sales, category marketing and R&D and in back-end manufacturing. So which strengthened our entire operations, and we have started to hire experienced people and capable people.

From a market position point of view, in the Q4, the market share remains almost flat for across all the core categories with a marginal increase in share in mixer grinders. And then our retail continues to be the growth driver. We continuously invest in new product development, and especially in the last quarter, our share of business from new products tends to be significant by launching over more than 23 orders. That is the update as of now from Butterfly.



**Promeet Ghosh:** Some quick final remarks from me. While the Indian consumer durable market is rapidly evolving, the demand environment had its ups and downs. While commodity prices started to ease off during the year, we expect some time to pass before this translates into inflation easing off. The demand has improved in quite before, but we must closely monitor inflation levels, which remain largely unchanged in the past few quarters.

We expect demand headwinds to stay for a few months, but we will continue to work towards growing our revenues faster than the market in growing profits, at least in line with revenues, which would lead to strong cash generation.

With this, let me just quickly take you through the numbers. The Board of Directors at their last meeting approved the quarterly results for the company. The total revenue for the quarter was Rs. 1,604 crores. The consolidated number would be Rs. 1,791 crores. The ECD revenues stood at Rs. 1,326 crores. EBIT margin stood at 16.4%. Lighting revenues stood at Rs. 278 crores. EBIT margin stood at 10.9%. Material margins were at 30.7%, while on a consolidated basis they were 31.5%. Gross margins on a stand-alone basis were 25.5%, while on a consolidated basis, they were 26.2%. EBITDA margins, stand-alone 12.2%; consolidated, 11.8%. Stand-alone PBT was Rs. 172 crores; consolidated, Rs. 170 crores. PAT, Rs. 132 crores; consolidated, Rs. 132 crores.

And as you can see, we do have the metric of having good growth, having strong margins, and I look forward to the company continuing to strengthen the core as we build for the future. Thank you.

With that, we'll accept questions that you may have.

**Aniruddha Joshi:** We will now open the floor for question-and-answer session. We have with us first question from Mr. Siddhartha Bera from Nomura

**Siddhartha Bera:** I had a question on this BEE channel transition and the current inventory levels, if you can share what is in the system. And given the demand you are looking at in the first quarter, how long do you think it will take for the current inventory to get normalized. And second is on the cost side, if you have taken up the entire costs in the pricing side or there is still some recovery which you need to pass on?

**Promeet Ghosh:** Insofar the cost side is concerned, yes, we have mitigated some of those with the cost management programs as we indicated. And there has been some price increases. We have actually passed on those but in the next quarter, let us see if we can do that.

Insofar as the BEE channel inventory is concerned, there is the degree idea of presence of nonregulated fans in the segment. But as you are aware, we approach this quite differently from the rest of the industry. So my sense is that the extent of our inventory in the channel for BLDC fans is lower than others

- Shantanu Khosla:** I will add one more point on that. As you are aware, the expectation of the lower star, the 1 star, 2-star product was that the pricing would be higher than the pre-BEE. And that is one of the reasons, a lot of competitive companies loaded a lot of non-BEE stock. However, as Promeet mentioned, given the competitive nature of the product, a lot of that pricing initially did not happen. Therefore, the BEE 1 star, 2-star product in the marketplace, in the initial period was the same price as non-BEE. Therefore, competition, which have put in a large non-BEE, did not even have the price advantage to the consumer. And that has led to potentially competition inventory of the 1 Star product being even higher.
- Siddhartha Bera:** Got it sir. Sounds good.
- Aniruddha Joshi:** We have the next question from Ms. Renu Baid from IIFL Securities.
- Renu Baid:** I have two, three key questions. My first question is on the core business. In fans, if you can help us understand what is the kind of price and cost bridge required in the BEE rating which essentially entails the kind of cost increases, the price increases required from us over the next 12 to 18 months to bridge this gap? And accordingly, by when do we expect the margins in the ECD segment to normalize back to 18% levels? Or do we think structurally, there is now a readjustment to the EBIT margins in the ECD segment for the core business? That is the first question on fans. And if you can also highlight the market share, current market share that we have in this category.
- Kaleeswaran A:** Yes, thanks, Renu. To start with, from an overall costing perspective, BEE transition meant there is about 15 percentage increase in costs via the Unnati program that we have discussed earlier. This cost increase has been mitigated through various VAVE activities, and we have got it down to about say 5% to 7%.
- Initially, the thought was we will be able to pass a large part of this cost increase to the consumers in Q4 itself. That has not happened. And we expect this cost delta to remain for some more time, considering where the inflation is today and how do we see the demand scenario outlook. So right now, we are not looking at any price increases. As things move forward, we will see a calibrated approach net of further Unnati reduction that is possible, can we pass on the 4% to 5% delta that is available.
- Part would be addressing in terms of the margin model that we are looking at. Eventually, we believe as an organization that there is a lot of growth opportunity in fans as a category rather than looking at EBIT margin percentage. And you have seen a large part of it panning out in some of the activities that we carried out in Q4. Significant uptick has happened in terms of investments behind our Fans, let it be on the innovation side or a bit beyond the advertisement and marketing side.
- As we move forward, we do believe a sustainable absolute EBIT which is going to deliver growth for us, and that would in turn expanding EPS is probably a better strategy for us than looking at the EBIT percentage growth and looking to restore that. Fundamentally, we believe volume and value growth is more critical than EBIT margin.

**Shantanu Khosla:** The last thing I would add to that Renu is, if you look at the gross margin, I see that the gross margin declines are significantly less than the EBITDA decline, versus historic peak levels. So we are in the process of recovering pricing as Kalees mentioned, the cost increases. The EBIT is a choice driven by the stepped-up investment level.

Specifically in three areas, and you can see this across our numbers. 1) advertising; 2) innovation and R&D; and 3) our continued investments in go-to-market. As these translate, they do better and better revenue growth, which we believe they will do over time. The absolute profit we feel will end up in the right place.

**Moderator:** The next question is from the line of Mr. Baidik Sarkar from Unifi Capital

**Baidik Sarkar:** First up, the increased disclosure numbers are welcome, and I hope the level of disclosure get better from here on. Could I request for a deconstruction gentleman, what is exactly that is ailing our Lighting segment? Because I am not sure of this an industry event because Havells on their much larger base for lighting has delivered in Q4 as well. So if you take us a few steps and help us understand how you are imagining this going forward?

**Shantanu Khosla:** First, I think it is important to let us separate and talk two separate parts of lighting, B2C and B2B, because clearly the dynamics are different. Let us talk B2C. There is no doubt, as we mentioned before, that we have relatively underperformed in our B2C business.

One of the most important interventions we believe that what Promeet already talked about the interventions we're making in go-to-market. Let me try and clarify that. Our sales force for lighting was part of our integrated national sales force. Now we believe that because of that, there was always a tendency to not get the right level of focus that the lighting business go-to-market required.

Frankly, we had exactly the same issue on our small appliances business, and about 12 months ago, we separated this out from the fans distribution infrastructure, and we see extremely positive results on that well above most of the industry. So that's given us confidence. Because what happens is, actually at the retail level there is not that much of an overlap between the fans, retailers and the big lighting retailers.

Because of the nature of our business, if you keep the sales force integrated, they invariably tend to be more focused on fans because it is a bigger business. The choice that we have made now, is that we have separated and created a completely independent go-to-market organization for B2C lighting, which does not report into the overall national sales operations but reports into the business and category. We believe that this focus on go-to-market can make us step change distribution. And that's the first big change. Of course, as Promeet mentioned, that has to be followed and supported by the other enablers of product innovation, continuously refreshing the line, getting the right pricing in the market and marketing support.

**Promeet Ghosh:** And also costing

**Shantanu Khosla:** Right, and costing so that we get the right pricing, etc. This will start beginning to get executed as we speak. So we should start seeing the positive results of this as we look out into the next couple of quarters. But the small appliances experiences that we have had gives us new confidence that this is the right way to go in this kind of business.

**Baidik Sarkar:** Thanks Shantanu, that is helpful. How's the season been so far? We are almost halfway through Q1. How should we imagine the operating leverage from each of initiatives play out this year?

**Shantanu Khosla:** The season as how do I call it, healthy mix. Obviously, our business has done relatively well especially our seasonal products, we should add great results this quarter on geysers, we have had outstanding results on overall fans and in fact particularly TPW which tends to be more seasonal. But when I say mixed, it is mixed in the sense of up till now, at least, we have got sudden cool days or rainy days coming in market by market. This tends to unsettle the day, like what is happening.

But overall, we are quite happy with the way our business has performed. If I look at in terms of the first quarter, in terms of percentage of the full year, it looks like a decent season on the whole. However, as Promeet very clearly mentioned, the overall inflation etc., picture moving out is still somewhat uncertain. So we have to watch the market over the next couple of quarters I would say.

**Baidik Sarkar:** Thanks gentlemen. Best wishes, I'll be in touch. Thank you

**Aniruddha Joshi:** The next question is from the line of Ravi Swaminathan from Aventus Spark.

**Ravi Swaminathan:** My question is regarding the broad-based revenue breakup across the ECD and the Lighting segment. Lighting, if you can give how much is B2B, B2C and B2G. And ECD between fans, pumps and small appliances, rough numbers that will be fine, sir.

**Kaleeswaran A:** Ravi, as you would know, we do not give the category specific details at this point of time. We have given a broad overview in terms of our additional disclosures that we made during the call. However, just as a construct, if you have to look at it, our lighting business is split almost equally between B2B and B2C. Over a period of time, the strategy has been to probably de-risk B2B so that we come out of something which is not predictable and does not have a pattern to it like a government order or a noninstitutional order as part of the B2B segment operation.

The focus as we move forward will be largely on the B2B side of business. And on ECD, if you look at it, largely we are fans led, with the next two categories being pumps and appliances. With small domestic appliances being a nascent part of the journey, the appliance of Crompton is largely led by geysers and coolers at this point of time.

**Ravi Swaminathan:** Got it, sir. And from a profitability perspective, within the fans, is there any marked difference between the BLDC fans and the regular fans that we sell?

**Promeet Ghosh:** The absolute profits are always higher when you start looking at the premium range and BLDC range as compared to the entry level section. Yes, we do tend to do more on the absolute profit basis on the higher range of fans.

**Ravi Swaminathan:** Got it sir. Thanks.

**Promeet Ghosh:** Thanks, Ravi.

**Aniruddha Joshi:** Next, we have question from Mr. Rahul Agarwal from Incred Capital

**Rahul Agarwal:** I am deviating a bit from the results. Just one question to the management as everybody is here. In our interaction with investors, there is a lot of discussion that happens if synergies can be drawn from Crompton Greaves Consumers. In case going forward, the management thinks of merging with a suitable large brand in the country, the names which come out generally are CG Power and Polycab. I just wanted to get your thoughts. Like is there any kind of possibility for that to happen or the team right now is clearly determined to run the business independently and we should just ignore these thoughts at our end? That is the only question I have sir, thank you.

**Kaleeswaran A:** Absolutely, no is the answer, Rahul.

**Shantanu Khosla:** We are as a team, single mindedly focused on running the business to maximize revenue growth, profit back and thereby shareholder value. That is our focus for the short, medium and long-term.

**Kaleeswaran A:** Just adding to it, Rahul, today as you would know, we are very well placed as a brand, and we have got leadership in the categories that we operate with. Our unit economics are pretty strong. The fundamental market leadership in the categories are clearly established, and we have got a very strong and robust balance sheet in hand. Coupled with that, the Butterfly acquisition is also playing in line with what we wanted it to do and the opportunity to do significantly higher at this point of time. So we have a focused team with the right amount of capital distribution and capabilities to create shareholder value. So we do not see the need of strategic partner at this point of time to create that value.

**Rahul Agarwal:** Perfect. So thank you so much. I will come back in the queue.

**Aniruddha Joshi:** Next, we have a question from Mr. Achal Lohade from JM Financial.

**Achal Lohade:** Sir, if you don't mind, could you please just remind us in terms of FY '23, what is the value growth in fans, pumps and appliances, once again, please? And in terms of the butterfly margin, now since you have mentioned that in terms of the de-risking the channel part, e-comm channel part, how do we look at the margins from here on? Earlier the expectation was it could be closer to mid-teens, early teens to mid-teens. Are we still sticking to that? Or it could be around the current levels from a full-year perspective?

**Kaleeswaran A:** So let me start with the Butterfly part of the question, Achal. I think the business, if you look at it prior to acquisition, pre-COVID era was largely government-led. And subsequently, it was e-commerce led. Over a period of time, it has been moving around 5% to 7% EBITDA. I am really

happy to share that in our first full year of operation, Butterfly has delivered its highest ever profit and this profit has come on de-risking e-commerce and establishing Butterfly as a brand in the retail channel and now if you look at the margin model, it has moved from 5% to 7%, and we are moving towards a steady state of anywhere between 8% to 9%. And there's an opportunity to hit double-digit sometime in the future.

Having said that, I think Shantanu referred to this in the earlier call also that one thing that we wanted to take as a learning and apply to Butterfly in our seven-year journey is, we do not want to cut down the investments behind brand, people, innovation and the business side of it. So that is something is going to be a priority. And we are here for long-term to make Butterfly create value. And the objective is not to change the mid-teen margin, and therefore, get lower growths; it is about how you deliver sustainable growth, get into and strengthen your categories and get market leadership or improve on your market shift to where we are. And therefore, those investments should take us closer to 8%, 9% stable EBITDA moving to about say, 9%, 10% over a period of time.

Now the first question that you asked us in terms of where we have landed on our category growth on a full-year basis. Fans is a 5% value growth. Pumps is a 9% value growth for full year. Appliances is a 30%, large kitchen appliances in the new category and therefore there is no base to it and light is a minus 1% or almost flat on a full-year basis.

**Achal Lohade:** Understood. Thank you. I'll come back in the queue. Thanks.

**Aniruddha Joshi:** Next, we have question from Mr. Aditya Bhartia from Investec.

**Aditya Bhartia:** Sir my question is on the distribution team that we are having. You mentioned that lighting distribution team now we are kind of segregating and earlier, we have done it for appliances. Just want to understand how we are working for pumps. And is there any change that we want to be making over there as well?

**Kaleeswaran A:** See, pumps to start with Aditya, it is a very different problem that we have to solve for. If you look, we continue to be a leadership position in the rest of the category of it. And largely, it is the surface pumps, which is driving the growth for us. The step one that we did there is to get the brand architecture design.

So if you look at our mini pumps today, it has got a clearly defined architecture from something that delivers a base value to something that can even go to a IFP feature. That is the ability to fill the tank faster and the efficiencies that it adds in we have a pricing level that has been brought in, which helped us to grow the pumps business, what we did in Q4 after a multiple quarter of challenges that we had on the pumps side of it.

Lighting, slightly a different strategy when we were referring about the distribution might that we need to improve there. The numeric distribution of our lighting footprint as you compared to fans or the pumps or appliances is far different, it is at least 5x to 8x more than the potential that you have for any other ECD category that is there.

So when you have a centralized sales system, your ability to focus on lighting and ensure that your peer objectives on the market for the go-to-market strategy to get it, it's pretty difficult to look at it. So what we are looking right now is we have hired a new head of sales who will report to our category Head of Lighting, who will focus on the B2C lighting into the distribution.

And we think over a period of time, this should help us to arrest our decline in lighting, along with the innovation work that we are doing on the product side.

**Shantanu Khosla:** If you talk only about pumps, we are now seeing good success in this model, which we have put in the marketplace on pumps, however this is basically on many our Monoblock pumps. There is another segment of pumps where we are not as strong, which are the multi-stage pumps. The stuff that goes into borewells.

So the next opportunity of growth that we are working on, is re-applying the learnings of brand architecture and product innovation which we did on the Monoblock and mini-side and now also going to replicate that on the submersible and bore-well side. And that, we believe, will give the next incremental leap for growth on pumps over the years to come. On top of the ongoing opportunity, which we continue to see in our area of strengths, which is the mini.

**Promeet Ghosh:** And apart from that all, this will be overlaid with a thrust on premiumization in the pumps. So now we have a brand architecture and that brand architecture moving up the chain there is an important part of the pumps.

**Aniruddha Joshi:** Next, we have question from Mr. Venkatesh B from Axis Capital. Please unmute your line and go ahead with your question. Thank you.

**Venkatesh B:** Just a few data questions, what was the advertising and sales promotion spends in Butterfly in the full year of FY '23? And what was the corresponding number for FY '22. And just one more, we ended FY '23 at the Crompton level at around Rs. 1,005 crores of debt. How much of this do you plan to repay in the current year?

**Kaleeswaran A:** See, our overall debt at the end of Q4 after parting away with Rs. 600 crores in March stands at about Rs. 900 crores at this point of time. Of the Rs. 900 crores as per the calendar schedule, we have another Rs. 325 crores going out in Jan '24. The subsequent fund comes in June, July '24. So therefore, around that time, we have a good opportunity to get rid of the entire debt on the balance sheet. Now coming on to the marketing spends, Sriram, would you like to add, I think it is about 5.5% for this year.

**Rangarajan Sriram:** Yeah, the marketing spends this year is around Rs. 60 crores versus last year Rs. 54 crores.

**Venkatesh B:** Thank you very much. All the very best.

**Aniruddha Joshi:** We have next question from Mr. Devansh Nigotia. Please unmute your line and go ahead with your question. Thanks.

**Devansh Nigotia:** In the presentation, we mentioned that we are number 2 in BLDC fans. So can you elaborate on why there is such a big market share shift between our leadership in traditional fans versus becoming number two in BLDC?

**Shantanu Khosla:** Two things. One is while we are overall market share leaders in fans, as we have been mentioning in these calls, we never started off as market share leaders in premium fans, pre-BLDC even if I go back four, five years ago. And Havells was the market share leader in premium fans, pre-BLDC.

Over the years, as we have been driving premium, we have significantly reduced that gap on premium fans. Separately, BLDC is a part of premium fans. So just talking about BLDC, and we believe that is important because that's what is the direction for the future. As you are all probably aware, the first mover of significance in this market was Atomberg, because it was the only real meaning of there about 12 months ago in a very small BLDC market, they own most of it.

As we have all got more active – us, Havells and various other competition, there has been an increase obviously in total BLDC segment, but there has been a significant decline in the leader share which is Atomberg. So Atomberg is still number one, but we have outstanding fan sales in the last quarter as a very clear number two. I fully expect that this gap will keep narrowing over time as we get more and more of our programs and variance, etc., into the marketplace.

**Promeet Ghosh:** I would just add a couple of points here. Look, we probably are fresh off the block on BLDC than we could have been. What I take a lot of comfort from is once it becomes an area of focus, you will see the impact in the market. And that is going to continue over the next several quarters. But more importantly, I think I see a lot of opportunity in the overall premium segment. We do have relatively though our overall fans business which comes from the premium segment, and you can already see what we can do, when if we put focus on that area. So really, as growing our premium segment as well as bolstering our BLDC presence, frankly, has strong upsides that I can see in our Fans business going forward.

**Devansh Nigotia:** Okay. Thank you. Thanks a lot for answering all questions.

**Aniruddha Joshi:** Thank you. We have last question from Mr. Aakash Javeri from Perpetual Investment Advisors.

**Aakash Javeri:** My question is how much BLDC as a percentage of our overall fan portfolio? And how do you expect it to be over the next two to three years? And what are top selling models currently in fans?

**Kaleeswaran A:** Aakash, BLDC for us is a new variant into the fan family. It is pretty early days. The number of fans that we sell in the country in terms of absolute volume on the economy segment is far high. BLDC right now will be about roughly 2 to 3 percentage of our overall portfolio. And one is looking at BLDC, the way we would also request people to start looking at this as an opportunity on the star rated segment. So if you divide the portfolio and start looking this as premium and then you start looking at within premium how do you start moving towards a 5-star rated fans, which is where your BLDC typically gets anchored. We see this portfolio as an industry itself



there is enough headroom to grow. And we as a market leader, we think with what we have in the pipeline and the innovation that is holding in for, we think there is substantial journey that has to be made on the market share gain, which is something that we can talk about as we come to the future quarters.

**Shantanu Khosla:** The one thing I just add on this data is the entry pricing for BLDC today in the market is around Rs. 3,000. The mass market of fans, which still contributes about 70% to 75% of the market is around Rs. 1,500 to Rs. 1,800. So there will be growth, we believe, significantly, not just in the price itself which maybe at disproportionate level, but there's growth possibility, with energy savings and other innovations, decorative, etc., across this entire pricing ladder with the most categories in India, a greater rate of growth at the top end of the market.

**Aakash Javeri:** Thank you so much. And just our top-selling models in fans if you could name a few.

**Promeet Ghosh:** High Speed is our single largest category, obviously a little bit of gap.

**Aakash Javeri:** Sure. Thank you so much.

**Aniruddha Joshi:** Ladies and gentlemen, that was the last question. We thank the management of Crompton for giving ICICI Securities the opportunity to host the interactive webinar. Now I hand over the call to the management for closing comments. Thanks, and over to you, sir.

**Promeet Ghosh:** Well, thank you very much. Thank you for joining, and I hope to keep in touch with you across the coming quarters and weeks. And please be in touch with our team if you should need any further clarifications. Appreciate you taking the time.

**Shantanu Khosla:** Thank you, everyone.

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