



“Crompton Greaves Consumer Electricals Limited
Q3 FY2018 Earnings Conference Call”

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Operator

Ladies and gentlemen, good day, and welcome to Crompton Greaves Consumer Electricals' Q3 FY 2018 Earnings Conference Call hosted by Prabhudas Lilladher 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kunal Sheth from Prabhudas Lilladher Private Limited. Thank you. And over to you, sir.

Kunal Sheth

Thank you, Aman. I would like to welcome the management of Crompton Greaves Consumer Electricals on the call and would like to thank them for giving us this opportunity. From the management, we have Mr. Shantanu Khosla, Managing Director; Mr. Mathew Job, Chief Executive Officer; Mr. Sandeep Batra, Chief Financial Officer; and Mr. Yeshwant Rege, Vice President, Strategy and Planning.

I would request the management to give us some opening remarks, then we'll open the floor for a Q&A. Over to you, sir.

Shantanu Khosla

Thank you. Good morning. This is Shantanu here in Bombay and thank you all for joining the call. As usual, I'll try to provide some overall comments and perspective and then we'll try and spend much time taking your questions.

First, as you are aware, the Board of Directors released our quarterly results yesterday evening. Total income for the quarter at INR 938 crores was a comparable revenue growth of 12.2%. Just to remind you comparable is exactly the same way we had talked about the numbers trying to equalize with the GST changes and impacts as we have done last quarter in exactly the same way. Profit after tax at INR 69.5 crores was up by 27.9%, close to 28%, and our PAT margin increased from 6% in the year-ago quarter to 7.4% this quarter.

From a segmental point of view, our ECD segment had comparable revenue growth of 7.4% and our Lighting business comparable revenue growth was close to 23%. Last quarter, definitely we have seen things gradually settle down post-GST implementation and market conditions and trade largely smoothing out.

Our retail audit shares from a third-party retail audit, our market shares on a core categories of Lighting and Fans continues to show healthy growth till the latest period and the latest retail share audit data we have is up till November.

Key focus areas briefly, which we've been talking about quite consistently, continues to deliver strong results. As you're aware, a key part of our business strategy has been driving premium Fans. For the quarter, premium Fans grew at 28%. The salience of premium Fans was now close

to 20% of our total Fans business. Just to put this in perspective, when we made this strategic choice and we started driving this business about two years ago, we were kind of nonexistent in the premium Fans segment and it was only about 6% to 7% of our business that's now grown to close to 20% of our business. And as we stand today, we are one of the leading premium fan players, not just market leader in total Fans.

Our second focus area, of course, has been LED Lighting where our LED business is now greater than 70% of our total Lighting business and for the quarter, our LED business grew at close to 57%. Again, just to put this in a slightly longer-term perspective, when we made this choice and we put all our energy behind LED believing that that was the way of the future, okay, and about two years ago really we were nonexistent, we were a real small player in Lighting overall. Today, as we speak based on the numbers we have seen, we are now the second largest Lighting company as per reported results after Philips. So really in two years we believe this strategy is really paying strong dividends.

Finally, of course, the third area was agro pumps, which also had a strong quarter, and our agro pumps business grew at 19% for the quarter.

Now all that being said, we did face a couple of key challenges over the past – this recent quarter on our ECD business. While clearly our Lighting business has performed strongly as per expectations, in fact, we continue to grow share and we believe we delivered market-leading growth levels, our ECD total growth was subdued, driven specifically by two factors.

The first is domestic pumps where, as we've talked in the past, in this segment, we are actually leaders. However, what's happened is over the recent period we've faced significant competitive pressure, especially in the north and the east due to the introduction of a number of mid-tier and low-tier priced pumps. What we have done is we have introduced a range of mid-priced pumps ourselves recently under the Crest Mini brand name and we have been rolling this out across the nation over the last couple of months because we believe that that's the right thing to do, given our leadership position and though it's very early days, initial results are encouraging. But that's a step we believe we had to take given the competitive pressures on pumps over the last quarter or so.

The second key area where we had challenge on our ECD business was our geysers business. In fact, our geysers segment was the one segment which after a long time, it was actually a segment which had volume decline over the last quarter. And as you're aware, the last quarter was a critical quarter for the geysers business given the seasonality of the business. Here again, the reason really was two – the first and is that without a doubt, there has been a significant enhancement in competitive intensity in the geyser business and that has had its impact and we think we probably over this period lost share in the geysers segment. The second is we have not been able to innovate as fast as we would have liked to do on the geyser business.

So, this is a segment, again, unfortunately it is a very seasonal segment, so it will take a little bit of time to really begin to restore growth here. But we have we believe strong plans moving forward as you begin to think about next year both in terms of consumer meaningful innovation

on geyser segment and also driving greater channel penetration. But these are the two reasons, which really led to lower than we had hoped for growth on the ECD segment.

Finally, as we look forward, we continue to obviously invest in our strategic choices. I would just like to talk and give you a little bit of update on progress on two of them so I'm not really repetitive. First is we are continuing to invest in our go-to-market program. As you're aware, we've talked in the past we had very strong initial results when we first began this program on our Lighting business and have been in the process of expanding it. We currently are running programs primarily in the western region. The objective of these programs is really to work with, to develop high capability, scaled-up distribution partners and leverage significant technology to improve our sales execution and our sales planning via the usage of real-time data.

We have actually been partnering for the last few months with BCG to develop and now we're in the execution phase of this program in a number of areas in western India. This not only includes a complete transformation of distributor capability, greater scale and quality of our distributors, but importantly, it also involves a rollout of sales force automation, which will enable us, our sales force and our sales management to collect and work on real-time sales data, which has been one of the challenges in our industries.

So, that is going well, but like you're aware, these kind of go-to-market transformation do take some time, and as we're executing it, we're continuing to balance the risk of managing the trade through the transition, managing inventory through the transition, etc. But we're convinced it's the right thing to do and we continue to get positive results as we keep executing these programs.

The second key program, which in this area is, we are now moved as we have mentioned earlier to begin to leverage the benefits of GST in our supply chain to develop a supply chain, which is not only more efficient and cheaper, but importantly is more responsive and delivers better customer service. We have partnered with future supply chain, the logistic some of the future group, who have in our opinion a highly capable network of – hub-and-spoke network of distribution hubs and some outstanding capability in automation. And we have implemented a program starting with the north of India, which is going into market as we speak literally.

We believe that leveraging this partnership, leveraging the scale of larger distribution hubs which we can now do because of the GST implementation, leveraging the technology which our partner has will provide better service to our customers at a lower cost. So, that's a second, transformative supply chain program which currently is in the process of execution.

The rest of our strategies obviously and elements continuing to deliver strong results and we stay focused on them. Consumer meaningful initiative which we invest behind like LED and anti-dust and obviously for the summer season in Fans, we have more of which we plan to do. And our extremely important cost-reduction program, which continues to deliver benefits, continues to help us generate funds to reinvest in our business and business growth.

With that really I'll stop talking and then just throw it open to any questions and all of us here are happy to answer them to the best of our ability.

Q&A

Operator

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Venugopal Garre from Bernstein. Please go ahead.

<Q - Venugopal Garre>: Hi. Thanks a lot. When I look at the performance, not just this quarter, but the last five, six quarters or so, you seem to have delivered fairly steady revenue growth with margin expansion almost every quarter, quite contrary to peers despite the volatility in the market. But at this stage from a strategy perspective, when you look at the next 12 months, 24 months, how do you actually sort of look at balancing revenue versus margin, more to sort of deliver a certain growth rate on the revenue front?

And number two, do you think that this is probably reaching a stage where it is essential for you to sort of start seeding new product categories? It could be specific products or new categories altogether, things on which we have sort of – you've referred to in the last couple of calls too, but where are we on that stage of evolution? That's my first question.

<A - Shantanu Khosla>: Okay. First, like we said before, we would like to grow our top line faster than the market and we would like to grow our bottom line at least as fast as top line, that is the way we see the balance coming out. Now, clearly, if you look at our performance over the last 12 months, we've done better on our bottom line goal than our top line goal.

<Q - Venugopal Garre>: Yeah.

<A - Shantanu Khosla>: Okay. So obviously, in the long-term some balancing which we would believe needs to be done. And it's not a huge gap, you can look given the couple of segments we talked about the difference in total ECD growth versus the market. But the reality is on where we measure, we are growing market share, which means we are growing faster than the market in Fans and Lighting.

I mentioned that in Lighting, really if you think about go back – two years ago when we made this choice, we were hardly a player in Lighting. We were number five, six or seven, pick whichever you want. And we have been able to change that and transform that and make ourselves from that position in about 24 months to the number two player in Lighting. Similarly in premium Fans, we really were not much of a player, and in two years, we are a leading player. Not too far from being the number one premium fan player.

Our next task, while we are working on new entries and new categories, we believe is that there are still a number of categories in which we are present, where our position is kind of what it used to be like in Lighting or premium Fans two years ago. The two first obvious ones are geysers and coolers. So, the first priority for us and we are working on it, and we are at a level where we should be seeing in both of these interventions in the marketplace over the coming period. So,

our first task is to get from a number six, seven or eight position in geysers and coolers to at least a number two position.

This sort of also merges into questions you guys have asked before on where does acquisitions and mergers, etc., play. If there is an acquisition, which is good value available, which could help us accelerate this route to number two, of course, we'd be open to evaluate it. We did exactly that some months ago in one of these segments. But you cannot ever guarantee that there will be: A, an acquisition available; B, it will available at good value. So we're independently working it internally, organically.

The third thing, question, then is what are the new categories or the adjacent categories. We are working those also. Those are critically important for over the – especially if you look at a framework of the next two to three years to continue to sustain growth levels. Once we have achieved the aspirations in geysers, coolers and our existing categories and – but we will launch when we know we have a proposition, which has the right to succeed.

And for us, right to succeed means that it has a right not just to be in the market, that is number five, six, or seven player, but to have a high probability of becoming at least a number two player. Why do we believe that's important because as we look at the marketplace and the success rate across the industry, we believe most of the value is captured by the people who are number one or number two, sometimes number three in each of the sub-segments, so that's sort of our sequence and approach.

<Q - Venugopal Garre>: Sure, sir. Thanks a lot. My second question is small one, ESOP expenses in this quarter, can you just – if you could just share that number.

<A - Sandeep Batra>: Hi, ESOP charge has been about INR 14 crores in this quarter same as what it was in the first two quarters.

<Q - Venugopal Garre>: Yeah. But last year, it was INR 8.5 crore, right, in the same December quarter.

<A - Sandeep Batra>: The last year was INR 8.5 crore, if you look at the intrinsic value method of accounting, but this year since we have moved to IndAS, our charge this year is based on fair value, and we've also had to restate last year's results. Particularly for ESOP expenses, this is fair value. So last year what was reported as INR 8.5 crore has become about INR 13 crores this year.

<Q - Venugopal Garre>: Okay. Got it.

<A - Shantanu Khosla>: Yeah.

<Q - Venugopal Garre>: Thanks a lot.

Operator

Thank you. We have the next question from the line of Inderjeetsingh Bhatia from Macquarie. Please go ahead.

<Q - Inderjeetsingh Bhatia>: Thank you gentlemen for the opportunity. My question is somewhat related to what Venu was asking. Given our stated objective of trying to grow faster than the market, if I look at the two key segments you talked about, the geysers and the coolers. Now geysers clearly we are towards the end of the seasonal cycle, so that leaves us only with coolers. Do you really think that with that one product, we can have growth rate much faster than the market for the next 12 months or so?

And do you think because again, even in the pump side, it might take time for us to kind of regain certain market share. So, where does that come? Where does it leave us in terms of trying to put a ballpark number? Can we achieve that goal in the next 12 months in the coming 12 months?

<A - Shantanu Khosla>: To achieve that goal in the coming 12 months, we have to have strong initiatives in both coolers and geysers, i.e., the coming season on coolers and the season which follows on geysers, and that's how you will have to balance it. So both of those segments will have to have a program which starts generating growth, and that gives the basis on which we are developing our plans.

<Q - Inderjeetsingh Bhatia>: The right to succeed strategy, do you think we have that proposition kind of ready in the coolers business?

<A - Shantanu Khosla>: We believe we do. Obviously, final end-market successes can never be guaranteed till you go to market, but we believe we do. We have done a reasonable amount to the extent pre-market testing etc. And we will also like we do with all the initiatives and show we have significant investment to drive both the distribution and the awareness.

<Q - Inderjeetsingh Bhatia>: Sure. If I can just squeeze in one more. Can you talk about, what more can be done on the cost side, or we have in the last two years taken out most of the low hanging fruits in terms of cost side?

<A - Shantanu Khosla>: Cost that I think I mentioned this before. Cost reduction is not a – the way we look at it is not a one-time effort. Cost reduction is an ongoing program. You have to take cost out of your system. For example, as we're working on a cost program right now, we are not only working on projects, which can help reduce our cost in the next quarter, but we're also working on projects which will take more time and may reduce our cost 18 months out, 24 months out. So, there's always – it's just ongoing work. Now this – like I said before, the objective of cost is really to enable us to keep investing in the business. You can never stand still on it.

<Q - Inderjeetsingh Bhatia>: Thank you, sir.

Operator

Thank you. **[Operator Instructions]** We've the next question from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

<Q - Bhargav Buddhadev>: Yeah. Thank you very much for the opportunity. Sir, I've got two questions. First is, just wanted to check that employee cost has sequentially gone up by 6%, so is there any sort of new lateral hires that we would have done this quarter?

<A - Shantanu Khosla>: Yeah. Before Sandeep gives you that details on the numbers, again like we talked before, as we – since we developed the strategy and focus areas, etc., two years ago, part of that was identifying what are the key capability gaps, which we need to continue to fill. And these could be filled from either internal capability or external capability. That process has been an ongoing program. And we've been continuing to add people, design people, for example, people with expertise in supply chain, people with expertise in purchase.

So this is an ongoing process of capability enhancement, sales people with sales capability, etc. So this is just an ongoing thing, which has continuously been happening. And I will just have Sandeep talk about the exact numbers. But it's a strategically important thing, where we need a capability. For example on, if it's going to start doing consumer insight work and develop innovations, which are based on consumer needs then of course we need to beef up our design capability and we have beefed that design capability.

<A - Sandeep Batra>: Yeah. So there – I mean there is no major change in the underlying organizational structure. There would have been a few positions that have got added in the third quarter, which would explain why the costs are up by about INR 4 crores-odd. And some of them, there are a few one-time charges we have, namely some provisioning done for our sales incentive scheme, which varies from quarter-to-quarter, but I think not very significant.

Operator

Thank you. We've the next question from the line of Snigdha Sharma from Axis Capital. Please go ahead.

<Q - Snigdha Sharma>: Hi. Thanks for taking my questions. So, quickly can you tell us what was the volume and value growth in Lighting and Fans?

<A - Shantanu Khosla>: In Lighting, I can't tell you the value growth. The like-to-like value growth in Lighting was 23% and the volume growth would have been about 30%. So there was – so as has been happening in LED, there was a little bit of price erosion. In Fans, we don't – like you're aware, we don't breakup our numbers specifically, but what I can tell you is a lot of the value growth was largely driven by volume growth.

There was a little bit of positive mix, which comes in as we increase the share of our premium fans. The second thing I can tell you is our Fans growth rates quarter-on-quarter is reasonably in line with the growth rates which we've had in the past quarters, ignoring the first quarter where it was negative, because of GST transition. But if I ignore that quarter – the first quarter and I go back about four, five quarters, our Fans' growth is kind of in line, it's about the same levels of growth.

Operator

Thank you. We have the next question from the line of Gunjan Prithyani from JPMorgan. Please go ahead.

<Q - Gunjan Prithyani>: Yeah. Hi, sir. Thanks for taking my questions. I just needed a little bit more clarification on this ECD segment. Clearly, the overall revenue growth here is being masked by the degrowth that you've seen in the pumps and the geysers segment, but could you share some color on how we have actually – I mean, I appreciate you can't give exact numbers, but how the market has grown and how much we would have gained in the fan specifically? And secondly, this pumps now again, given there has been competition how soon you think we'll be able to recoup the market share that we've lost in the recent past? I mean, how much time do we think that it will take for us to get back growth in this residential pumps?

<A - Shantanu Khosla>: Okay. First, just a small clarification, we have declined in Geysers, in pumps, we've not actually declined, our rates of growth have come down from what it was historically.

<Q - Gunjan Prithyani>: Okay.

<A - Shantanu Khosla>: Okay. Secondly on pumps, like I had mentioned the primary reason we believe that rates of growth have slowed down in domestic pumps has been because of the competitive entry of lower price pumps. We have already taken action on this by introducing our own Crest Mini which is competitive in price in those areas. That product is beginning – in the process of rolling out to the marketplace as we speak. The initial areas where we rolled it out we were getting strong positive results i.e. growth was coming back. So I expect the fan – the pumps growth should restore reasonably quickly.

The second I think was on – I think it comes back to really the Fans question. I guess there is the data we have and the data I can share. Okay. First, how is the market growing? Now the data I'm quoting now is the data we get from our third-party retail audit company which is similar to the data Nielsen provides in other categories. This data indicates that year-to-date over the past 12 months ending November, the market is flat. This data indicates that for the first 6 to 8 months of this past 12-month period which starts from the demonetization time, the market was declining, but the market had begun to come back to where it was. Therefore, the cumulative it us showing is flat. Hopefully that means moving forward the market will continue to show at least its historical traditional growth of 6% to 8%.

How have we done in this period? I guess – okay, I'll just refer you back to the answer I gave for the previous question, this quarter our Fans growth rates were in line with the growth rates we've had on Fans for the past three, four quarters expect for first quarter of this year when our Fans business actually declined, but that was the unique year – quarter of GST implementation.

Operator

Thank you. We've the next question from the line of Renu Baid from IIFL. Please go ahead.

<Q - Renu Baid>: Yeah. Good morning, sir.

<A - Shantanu Khosla>: Good morning.

<Q - Renu Baid>: Two quick questions from my end. A, little more on the GTM strategy, both with the respect to the supply chain as well as distribution. How are we planning to do it in the ECD segment in terms of the phased pilot projects and what could be the timelines and cost which would be associated with it?

And second, sorry for harping back here on Fans in particular, but if you look 28% in premium Fans, which is approximately 20% of a sales mix, is 5% incremental growth, which means in this quarter, the growth in Fans would have been overall as a segment would still be in single-digit for us. And when we compare with some of the other peers who have reported the results, they have been in high double-digit. So do you think market in this particular quarter would have grown much better than what you would have expected or they would have had market share gain from unorganized players? If you can help us understand little bit whether it was some pre-buy happening ahead of summers, they have pushed inventory or how have things been at our end? That's it sir.

<A - Shantanu Khosla>: See, it's difficult obviously where I can't really comment on what competition may or may not have done. But in terms of our business, first to be clear, our non-premium fan business also grew. Please do – it's not that our premium grew and non-premium declined, no, that's not the case.

Second, as we look forward, we definitely think that there will be a recovery of the Fans market back to historical levels. As I have mentioned I think before one of the things that determines long-term consumption of Fans is housing starts, because there is good data to indicate a strong correlation between market and housing starts if you look on a sustained slightly longer term period. Housing is still the unknown in the pack. Because though there may be some early green shoots, there is not yet clear data yet on when that's going to recover. But from our sense of the market, we think that the market growth is beginning to definitely go back to normal as we look ahead.

And even if I look at our consumption share – the retail audit data, the fact that it is flat for the past 12 months but was declining in the early part of the year, the consumption for the recent quarter is positive. It's not declining now.

Operator

Thank you. We've the next question from the line of Venkatesh Balasubramaniam from Citi Research. Please, go ahead.

<Q - Venkatesh Balasubramaniam>: Yes. I had just one data question and one more general kind of a question. The data question was what – how much did you spend on advertising in the current quarter that is the first one?

Operator

Sir, may we request you to restrict to one question per participant please, as we have several participants.

<A - Shantanu Khosla>: Yes. That's INR 16 crores.

<Q - Venkatesh Balasubramaniam>: You spent INR 16 crores in the current quarter?

<A - Shantanu Khosla>: Yeah.

<Q - Venkatesh Balasubramaniam>: Okay. the broader question, any change in your make versus buy strategy, or from where you are sourcing your goods, in terms of your factories in the new GST scenario? Once GST has been implemented, are you thinking of about making any changes?

<A - Shantanu Khosla>: We are definitely, scenario playing and evaluating because opportunities will arise. We have started with making the modifications like this tie-up with the Future Group first on the logistics end. But definitely we are in the process of evaluating, what is the right option or where the opportunities are because obviously those will – are more longer term opportunities, if at all.

Operator

We've the next question from the line of Rohit Kadam from Credit Suisse. Please go ahead.

<Q - Rohit Kadam>: Hi, sir. Good morning. Thanks for taking my question. Sir, on the input cost inflation, last quarter you had mentioned there's 25% kind of input cost inflation and we had not taken any price hikes then. So any update on input cost trends or any pricing we've put in?

<A - Shantanu Khosla>: we didn't see 25% increase in commodity.....some commodities may have been, but if you look at an overall basket of the raw materials that we buy, quarter-on-quarter the index is up 2% – 2 percentage points. So let's say if it was 100 in second quarter, it is now 102. We've always maintained at – it is not possible to pass on the entire cost increase by way of price increases and we have three levers to offset that, namely mix enrichment, cost reduction and then price increases. Having said that, we did take some price increases in Fans in the middle of November. That increase would have been about 1.5%, 2% on the basket of all the products.

Operator

Thank you. We've the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

<Q - Pulkit Patni>: Sir, thanks a lot for taking my question. Sir, I wanted to understand you spoke about the fact that we probably did not have the right product in the geyser segment, which is why we lost in some of the market share. Can you please highlight, A, what changes would we have made since then? And secondly, what gives you confidence that as we get into the summer season, the same thing is unlikely to be repeated with the cooler segment? So, if some highlight on what measures have been taken there? Thank you.

<A – Mathew Job>: I think we spoke about this maybe in the last quarterly call as well that in the last – for the one year we have been working with an external party to identify specific consumer concepts in both water heaters and coolers. So in – for coolers, we are in the final stages of bringing that concept to market. We have spent the time in the last few months the testing the concept as we feel now confident enough to bring it to the market in this selling season, so that is one on coolers. And on geysers also, of course, a lot of work has been done, but obviously this current season is now winding down, so we expect that in the early part of the next season, we will also be able to bring the geyser concept to market. So, with both of these, I think these two areas would be well taken care of and we can see growth coming back for coolers and geysers.

Operator

Thank you. We've the next question from the line of Abhineet Anand from SBICAP Securities. Please go ahead.

<Q - Abhineet Anand>: Yeah. Un-allocable expense for the quarter, is it some one-off there or have we work on that as an average going forward?

<A – Sandeep Batra>: No, I think the costs for the third quarter do have some one-offs largely expenses around some of the capability building initiatives that are underway. So that would not be the representative cost. If you look at what the un allocable cost were in the second quarter, I think that would be more representative.

<Q - Abhineet Anand>: So, going forward 2Q is a more representative if you are going to 4Q and in 1Q of next year and all?

<A - Shantanu Khosla>: Yes, please.

Operator

Thank you. We have the next question from the line of Tejas Sheth from Reliance Mutual Fund. Please go ahead.

<Q - Tejas Sheth>: Good morning, sir. Sir, in one of the previous questions, you did answer that you are fixing the product gaps in air coolers and geysers. If you can also elaborate what would be the distribution gap in these two-segment– these two segments should have a very different distribution line up vis-à-vis Lighting and Fans?

<A – Mathew Job>: In fact, in geysers, I think in geysers, specifically the electrical channel is still the main channel for geysers just like as it in Fans and Lighting. So here I the critical part is not only fill the existing product gap, but bring some superior propositions to market. We are not looking at just matching what the competition is offering, but really looking at bringing some unique differentiated propositions to market.

In cooler, you are right, of course, the channel is primarily the consumer electronic and home appliance stores. And I think bringing these new concepts to market of coolers also gives us the good opportunity to make strong entry into some of those areas, where we have not been to make inroads in the past because this is like a virtuous cycle, one leads to the other. So, I think when we are able to get this cooler concept to market, it also gives us an opportunity to get into some of these channels.

Operator

Thank you. We have the next question from the line of Abhishek Jain from Vallum Capital Please go ahead.

<Q>: Hello. How government contracts are working on fan and how is – what is happening in fan export? Is India becoming an export hub as point of view from the fan is concerned? Thank you.

<A – Mathew Job>: In terms of Fans, of course, the EESL continues to be active on Fans. EESL is the primary government orders of Fans. In the last quarter, we completed the previous LOA which we had received. About 50,000 Fans have been supplied in the last quarter. We also received a new order for about 400,000 units of Fans which will be serviced over the next six months. So in the recent tender, of course we won the maximum quantity. That will take about six months to get executed.

In terms of Fans exports, I think the trend has been basically, I would say basically flat. There is no significant uptick in terms of Fans exports from India.

Operator

Thank you. We've the next question from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

<Q - Shrinidhi Karlekar>: Yeah. Thanks for the opportunity. Sir, would it be possible to know the ballpark percentage of Fans demand that is driven by the replacement market and how is it different for premium category of Fans?

<A – Mathew Job>: I think our estimate is that the 80% of the Fans demand – 80% to 85% is actually new points and the rest would be replacement. We do not think it will be any significantly different for premium Fans.

Operator

Thank you Mr. Karlekar. We request you to join the question queue for any follow ups. We have the next question from the line of Achal Lohade of JM Financial. Please go ahead, sir.

<Q - Achal Lohade>: Yeah, good morning. Just wanted to understand in terms of the Lighting business, how much is EESL and how are you looking at the EESL, has it slow down, do you see it picking up by in any case?

<A – Mathew Job>: See the EESL continues to be active. In the last quarter we supplied both the lamps and light fixtures. Going forward, of course we do see that the lamps part of EESL would come down, this is our assessment, but we still have some pipeline of orders from EESL in Lighting business. But the big part of the unexecuted is actually in the B2B part, where there is still almost INR 50 crores of orders pending for execution.

<Q - Achal Lohade>: And how much we booked for 3Q, sir, EESL related revenue for Lighting?

<A - Mathew Job >: Total was INR 40 crores, out of which half was in B2B and half more than B2C in the last quarter.

Operator

Right. Thank you. We have the next question from the line of Aditya Bhartia from Investec. Please go ahead.

<Q - Aditya Bhartia>: Hi. Good morning, sir. Sir, from the Fans business you mentioned that growth rates have been similar to last few quarters with the exception of Q1. Does that mean that we are yet to see any significant inventory stocking happening post-GST?

And the second question is – and the related question is that some of your peers like Havells and V-Guard, specifically in Fans appeared to be recording a fairly strong growth. So, do you expect this to be normalizing going forward?

<A – Shantanu Khosla>: First, I think V-Guard part of the numbers is because of – their growth numbers of a very low base in terms of the total market share of V-Guard. Havells of course is a significant player, right. And we see ourselves if we're going to meet our objectives are continuing to build our premium position and continue to build our leadership position then we see ourselves moving forward, growing at a faster rate than they do on times. Obviously, this quarter we believe that's not the case, but moving forward, yes.

Operator

Yeah. Thank you. We have the next question from the line of Pavan Kumar from Unifi. Please go ahead.

<Q - Pavan Kumar>: Sir, I just wanted to understand our strategy towards launching the new – our new products and what is like geysers, coolers and anything else we are getting into and what

is the – what are the kind of timelines it might take for us to where become may 10% or 15% of its – of our overall revenues?

<A – Shantanu Khosla>: Okay. First, I just want to reclarify because I had mention this earlier. We believe as there is no point just launching stuff in the market if what you launch in the market doesn't have the reasonable potential of becoming at least a number two player. The reason we believe that is because if you look at the current marketplace, most of the value is captured by – in any segment by the players who were number one or number two, sometimes number three. The person who has number six, seven or eight in these categories does not tend to capture much value.

So that's an important choice we have made. And the reason is because in this category we have seen so many entries by competitive companies and frankly in the past by ourselves, which have not succeeded in creating value. Just think of the number of companies who introduced LED bulbs. Think of the number of companies who have introduced over the last two years air purifiers. Think of the number of companies who in the last three years introduced air fryers. Those we believe has not added value to the companies but potentially have destroyed value for quite a few of the companies. So our starting point is, have something which we believe can become to number two.

Our first task is to create that on geysers and coolers because we are already somewhat present in the market. Then there is the whole host of other small appliances in which we play. Then there are other segments in which we do not play, so all of these are on the game board. Like I said, our first priority in the near future is to try and get to a number two position in geysers and coolers.

Operator

Thank you. We have the next question from the line of Harshit Kapadia from Elara Capital. Please go ahead.

<Q - Harshit Kapadia>: Good morning, sir. My question is, on Lighting segment, we have seen a very high double-digit growth. Can you please give us a reason which segment within this Lighting, I'm talking from the customer side, is it residential, is it more of professional Lighting, luminaries which has given this growth and what is your expectation going forward?

< Mathew Job >: Both. Both B2B and B2C have grown in the quarter. In the quarter, B2C business has grown faster than B2B. But both segments have grown strongly. And then going forward, we expect that both the segments will continue to expand.

Operator

Thank you. We have the next question from the line of Paresh Raja from Catalyst Global Equities . Please go ahead.

<Q>: Sir, you mentioned about focusing more towards geysers and coolers to get to number two position. I just want to know, considering that the huge potential that air cooler offers and the brand image that the company carries, what is the strategy or what are the strategies that we are going to adopt to achieve this since the leading cooler company is launching new products more frequently. So what would be the strategy from our side in terms of innovation, R&D, marketing spend, launching new products?

<A - Shantanu Khosla>: Okay. First from a product point of view, it needs to be a product which is superior and seen as distinctive for a significantly large number of consumers. It will not just be a me-too product because, like you rightly said, we have got some very strong competition in that category. Number two, it will need to be cost competitive so it can be price competitive. Number three, we need to invest in advertising to create sufficient awareness of the new product and its superiority. Number four is we need to deliver competitive distribution.

Operator

Thank you. We have the next question from the line Naveen Trivedi from HDFC Securities. Please go ahead.

<Q - Naveen Trivedi>: Yeah. Hi. Good morning, everyone. Sir, if you can give some idea about geyser as an opportunity now and how this can be over the next three years and if you can also give a breakup between the organized and unorganized between volume and value terms.

<A - Mathew Job >: Geysers? It's very difficult – because there is no real third-party data available in terms of the split between organized and unorganized, but if you see the top five players account for 70% to 80% of the market. So, I guess, the unorganized is not really significant.

Operator

Thank you. We have the next question from the line Bhargav Buddhadev from Ambit Capital. Please go ahead.

<Q - Bhargav Buddhadev>: Sir, just wanted to take the market share we have on the premium ceiling Fans in terms of market share of the world, of the overall ceiling Fans, how much would be premium Fans, sir?

<A - Shantanu Khosla>: 8%?

<A - Shantanu Khosla>: 8% to 9%.

<Q - Bhargav Buddhadev>: No, sir. In our ceiling Fans, what is the share of premium ceiling Fans?

<A - Shantanu Khosla>: 20%.

<Q - Bhargav Buddhadev>: 20%. Sir, just wanted to clarify one thing that Havells has about two-third of ceiling Fans which are premium and so, is there a disconnect when we say that we are sort of very close to being a leader in ceiling Fans?

<A - Shantanu Khosla>: No, there isn't, because our total fan business is much, much larger than Havells, right. So, Havells has a relatively very low presence in non-premium Fans, right. And the second thing I'm not certain about how Havells defines premium. When we quote our premium numbers, we are talking about Fans with an MRP greater than INR 2,500.

Operator

Thank you. We have the next question from the line of from Kotak. Please go ahead.

<Q>: Hi, sir. Thank you for the opportunity. Sir, can you quantify the size of the geyser and the cooler market in terms of industry size and where we are currently in the geyser market where we have some presence?

<A>: See, the market size will be approximately INR 2,000 crores and our share will be low single-digit.

Operator

Thank you. The follow-up question is from the line of Snigdha Sharma from Axis Capital. Please go ahead.

<Q - Snigdha Sharma>: Hi. Thanks, again. So, sir, can you just talk a little bit about the supply chain partnership with the Future Group? Can we talk about the nature of partnership and what exactly we're doing in terms of technology there? Thanks.

<A - Shantanu Khosla>: Okay. First, like you are aware, historically with GST, you would have to have a warehouse/branch in every state. So we would transport from factory to the branch in the state and from the branch in the state, it would get onward distributed to customers in the state. Now with GST you can significantly consolidate your supply points, your distribution centers. So, you have larger distribution centers where you bring your product from 20 different factories, contract factories and owned factories, and from there you supply directly to customers across state boundaries. So you have a more efficient supply source because of its scale and its closeness to the customer.

Think of it almost like hub and spoke, which typically happens with large global courier companies. We can now do that. And we have now modeled it. So, for example, now in the north, you have one large distribution center where all your product comes and from where it gets served out to your different customers in that area. Future Supply Group Chain actually is the logistics arm of Future Group. They are specialized in this business. In fact, they have got some of the highest warehouses and the best data. So you're actually cracking your inventory flow all the way through from factory to customer most efficiently and pretty much in real time. So, they are essentially going to be the people who run our distribution centers.

Operator

Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments. Thank you. And over to you.

Shantanu Khosla

Thank you. Appreciate you all taking the time. As always, I hope we have been able to clarify some of the questions. As always, if you have more questions, want more details, please feel free to contact Yeshwant or anyone in this group and we're happy to spend as much time because we would like you to understand our business that we're doing. Thank you.

Operator

Thank you very much. Ladies and gentlemen, on behalf of Prabhudas Lilladher Private Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.