

Crompton

Crompton Greaves Consumer Electricals Limited

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Date: June 2, 2021

To, BSE Limited (“BSE”) , Corporate Relationship Department, 2 nd Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001.	To, National Stock Exchange of India Limited (“NSE”) , “Exchange Plaza”, 5 th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex Bandra (East), Mumbai – 400 051.
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Dear Sir/ Madam,

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

With reference to our earlier intimation regarding the Earnings Call on Audited financial results for the year ended March 31, 2021 held on May 24, 2021 kindly find enclosed the transcript of the same.

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

Thanking you.

For Crompton Greaves Consumer Electricals Limited



Pragya Kaul
Company Secretary & Compliance Officer



“Crompton Greaves Consumer Electricals Limited
Q4FY21 and FY2021 Earnings Conference Call”

May 24, 2021

ANALYST:

**MR. KUNAL SHETH - BATLIVALA & KARANI
SECURITIES**

MANAGEMENT:

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

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

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY2021 Earnings Call of Crompton Greaves Consumer Electricals Limited hosted by Batlivala and Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kunal Sheth from B&K Securities. Thank you and over to you Sir!

Kunal Sheth: Thank you Mallika. I would like to welcome the management of Crompton Greaves Consumer Electrical on the call and would like to thank them for giving us this opportunity. From the management team, we have Mr. Shantanu Khosla, the Managing Director, Mr. Matthew Job, Executive Director and Chief Executive Officer, Mr. Sandeep Batra, Chief Financial Officer, and Mr. Yeshwant Rege, Vice President Strategy and Financial Planning. I will now request Mr Shantanu Khosla to give us some opening remarks and then we will open the floor for any Q&A. Over to you Sir!

Shantanu Khosla: Thank you. Good morning everyone and thank you for dialing in to our analyst call for the quarter. Firstly, I hope all of you and your family, are safe and healthy during these extremely challenging times.

As always and as has been for more than the last year health and safety of our employees continues to be our number one priority. The infection count among our employees unfortunately in this wave has been higher as compared to the previous one. We are extending all support required to all our employees as well as their families. We have set up unit wise WhatsApp groups with senior members to assist with COVID-19 related emergencies and these groups have actually been extremely successful in helping us manage on-the-ground individual, logistical challenges such as hospital beds or oxygen availability etc. Our focus to curb the virus has also been to strictly follow work-from-home policy for all our officers which we have been doing since the first half of April.

We are tracking vaccinations very closely among our employees and in every way helping and encouraging them to get vaccinated as soon as possible. Up till now, 508 of our employees have received their first dose. Greater than 80% of employees above 45 years of age have been vaccinated. We have collaborated with hospitals and 1mg to organize scans and are continuing to do so for the 18 plus years segment as vaccinations become more available. We will of course bear all the costs of this vaccination program for all our employees and family members. We continue to stay closely in touch with all our employees and have been conducting regular townhall meetings to address concerns and identify areas where we as a company can help our employees and our broader stakeholder community through this crisis.

Moving on to the business and a few comments on the business; overall in the quarter business momentum continued its upward trajectory in the quarter. We witnessed robust growth in all months of Q4 over the corresponding period last year and this growth was broad-based with all our product categories, geographies and channels logging strong growth. Our ECD portfolio continues its stellar performance driven by all segments. The Lighting B2C segment has continued its growth momentum which is driven both by volume and also value. The one segment of our business which continues to face some challenges is our Lighting B2G (business to government) which largely is our key streetlight business and this continues to be challenged due to slow uptick from EESL and government orders in the quarter.

The other challenge of course has been commodity headwinds. We have taken two price increases in tranches. Despite our pricing action taken over the last few months we have only been able to cover parts of the hike in commodity costs which is continuing to build up pressure on material margins. The commodity price escalation is unprecedented, as I mentioned before and during this quarter commodities were sequentially up by about 12% versus Q3 and this has continued unabated with over April and May commodity prices up further 8% versus Q4. Obviously, our cost saving program, Unnati which has delivered such fantastic results on a consistent period continues to be a flagship program. We have saved approximately 60 Crores under this program in this quarter.

Our focus on efficient management of working capital has helped us further strengthen our cash position to 1373 Crores. We have maintained a healthy balance sheet and cash position which as we had said last year during the same time, we believe this will help us stand relatively better than a lot of our competitive set. We are best placed to tide over future uncertainty, aggressively ramp up once things normalize and also ensure that we will continue to invest in the long-term development of our business. We continue in this period to invest in development of R&D capability, alternative channels like Rural, MOR and E-commerce, the benefits of which have started showing results and long-term results will be realized even more over the years.

We remain committed to develop innovative consumer meaningful products that offer superior value proposition flowing both into the top and the bottomline.

Moving into a brief overview of our segment price performance here just to clarify we do not normally talk about this but I will also to help provide perspective given the base period talk a little about our sequential growth quarter-to-quarter and also January-February growth. This is simply to provide some additional perspective to all of you given the March base period issue of last year.

Our ECD business continued its momentum and delivered a 15% sequential growth quarter-on-quarter. In this quarter our Fans business grew 59% growing close to 30% in January-February alone, on the back of strong performance across the entire range and product portfolio.

Our strategic focus on premiumization continues with premium Fans delivering 76% growth and premium decorated Fans delivering 72% growth.

Our entry into the super premium Fan segments also continues to win traction in business momentum improving sequentially. Our range of new offerings over the last couple of months has been received well by the market. In the rolling 12-month period we have gained a one points some market share in the overall Fans business.

Our Pumps business witnessed 61% growth with January and February growth at 18%. Both residential and agro pumps witnessed value growth of 64% and 53% respectively. Our renewed focus on building a leading appliance portfolio continued to deliver exponential growth of 74% (January - February 40%). The growths was driven by all our key focus choice segments, Air Coolers growth 74%, Geysers 87%, Mixer Grinder 81% and Irons 86%.

Moving on to Lighting; Lighting business continued its Q3 momentum and the B2C business delivered about a 10% sequential value growth. Lighting revenues were 329 Crores registering a 15% growth over last year; however, the critically strategically important B2C LED business continued its growth trajectory with B2C LED value growth of 41%.

As I had mentioned earlier Lighting B2G was down significantly as the business faces major challenges due to slow order pickup by the government and EESL. With capacity ramping up cost saving initiative delivered the desired results and sustained growth in our B2C business and has maintained Lighting EBIT margins in double-digits in Q4 at 16%. Very importantly after the past few years of price erosion in Lighting which as you are all aware has been an extremely turbulent period prices especially in the key B2C segment have largely stabilized and category structural profitability has now been restored.

On the supply chain over this quarter all our factories are up and running, productions of Fans in our in-house units was 55% higher in Q4 over corresponding period last year. We have fully followed down all the safety norms and more laid down by the government and social distancing has continued to be strictly adhered to in all our factory premises.

The continued momentum of our business gives us confidence that our key strategic choices are working to deliver superior results in spite of the challenging environment we continue to invest in these areas. First Go-to market: Our superior partnerships with trade partners where we have been empowering our channel partners to help them grow their business and continue to support them during these tough times has resulted in continuous improvement in monthly dealers reaching a record level in March. We are focused on improving reach. We have been making continuous efforts to improve the number of retail points where our products are available.

Our Fans rolling 12 months reach has gone up by 3.3 points. Secondary sales tracking which is a backbone of our new go-to-market through the information gathered from our Tally Patch has enabled us to make more informed decisions and improve productivity and effectiveness of our program. Our Tally Patch now covers secondary sales data of greater than 80% of our total business. We are also continuing our focus and investment to harness the potential of rural channels and that has been paying out handsomely for us. Our rural sales delivered exponential growth of 117% in Q4, 72% in the January and February months over the same period last year and growth is 60% sequentially. We continue to gain shares in this critical opportunity market.

Our presence in channels like e-commerce and MOR along with meaningful consumer engagements has helped us deliver growth of 85% in Q4, 25% in January and February. We continue our consistent market share growth in this channel. Driving premiumization stays a critical strategic choice of ours and which we had identified a few years ago and it continues to drive our business. Our premium Fan segment, as I had mentioned grew exponentially by 76% in Q4 over the same period last year. Super premium Fans volume has doubled as compared to the same period last year.

Our investment in consumer-centric product innovation continues. For us we have to be the leader in developing products that are meaningful to consumers, futuristic in design and application. Our revamped portfolio in appliances is clearly being rewarded with exponential growth while our broad range of product portfolio in Fans, Lighting and Pumps have helped out gain market share year-by-year, even this year where we have been continuously hit by the COVID pandemic, we have continued to invest in introducing a range of new products across all our categories, with more than 30 strong new product innovations having been launched across our categories.

Moving on to talk a little bit about the current situation with ongoing COVID second wave in India clearly which is far more virulent and penetrated much deeper as compared to the last one. Previously, the virus largely was spreading in urban towns and cities; however, this has expanded to go deeper into Rural India even though thankfully we have a reduction in case counts over the past few days, we still are very much within the peak of this pandemic. While restrictions had eased in Q4 and that resulted in our strong performance from the back end of April through the whole of March we are seeing essentially the entire country and most retail markets in the state of lockdown.

These closures started impacting the business in the second half of April and it essentially led to a complete shutdown through May. The situation in April and May is really not very different in terms of market closure as compared to March and April last year. Depending on the extent of improvement in circumstances we believe we can expect a gradual return to normalcy in Q2. This is again similar to what we saw in the last year wave. We believe that the demand recovery would follow like it followed last year post-reduction of COVID cases and ease of restrictions. As we were last year, we believe this year we are equally well positioned to go back with a vertical startup as we see markets opening hopefully through the second half of June.

The second key dynamic which I would like to just touch upon is commodities. As you are aware all key commodities are currently at unprecedented levels. This increase has happened in an extremely short span of time. As I had mentioned earlier in Q4 we saw a 12% increase in our overall commodity crisis as compared to Q3 and this is not easing off. We have continued to see about an 8% increase through April and May. As we have talked before our focus on recovering on commodity prices is based on three key areas; premiumization, accelerated cost savings and pricing actions. While obviously as I had mentioned we are doing very well on improving our mix and also on our accelerated cost saving Unnati program. That being said these commodity crisis are unprecedented so pricing as we have done in the recent past will continue to play a key role; however, all that being said we do expect continued margin pressure over the next couple of quarters.

Finally, to just take you over the through the final numbers, the Board of Directors at its meeting on March 21, 2021 approved quarterly results of the company for the quarter-ended March 31, 2021. Total income for the quarter was 1522 Crores. ECD revenue stood at 1193 Crores, EBIT margin at 18.1%, lighting revenue stood at 329 Crores, EBIT margins expanded by 840 basis points versus corresponding period last year and stood at 16.1%.

Improved operating leverage due to ramp up in activity in this quarter aided EBIT. Material margins stood at 30.8%, PBT stood at 231 Crores versus 137 Crores last year growing 69%. PBT margins stood at 15.2%. Profit after tax for the quarter was 249 Crores; however, this included an adjustment for the impact of an IT assessment order like-to-like PAT after taking that into account grew 63.5%. With that, I would like to stop and address any questions that you all may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Congrats on good set of numbers. With respect to the price increases that we have taken across in each products if you can give broad overview and secondly, many of these price increases would be really legacy, so post all these lockdowns are lifted do you think what is view on the elasticity of demand in supposing the price increase that is likely to be there so basically can demand pick a hit to an extent because of all these basic reasons if can give view on that in detail?

Mathew Job: In terms of the price increases, we have already taken around two rounds of price increases already. One in around January and February and one in April May, so I would say the price increase is between January and May, the one of the two, two rounds in some cases three rounds, the prices have increased by roughly 10% on an overall 8% to 10%. Now obviously the first round of price increased happened in February, so at that point of time, we did not see any significant slowdown in demand that is what you would see in the numbers for the last quarter. Now in this quarter, the price increase have been announced and implemented effective April, May, now it is very difficult to predict what kind of impact that would have because now at the moment there is lockdown, so we really do not know it is and what kind of impact we could have on the demand. It is almost impossible to predict

but the fact remains that the commodities are in a major bull run and I think there is no other choice but for all the players to take some level of price increase. Typically, one round of price increase thus happen around this period every year but of course we have had this time one round already before that, so that is how well the impact is very difficult to predict.

Shantanu Khosla: The only thing I would add what Mathew said is obviously this commodity is does not affect us, it affects the entire industry. So, it is leading brands with stronger go-to-market who tend to come out better in these situations, so I think the strength of our brand, the strength of our go-to-market plus the fact that we are continuing to invest in innovation while we are doing this will enable us to emerge relatively speaking in a better situation.

Ravi Swaminathan: Got it and in terms of other costs especially ad spends, etc., how much ad spend we had done as a percentage of topline the entire year and how it is likely to be over the next two years, if you can give a view?

Shantanu Khosla: Over the next two years, obviously this year there was reduction in ad spend because in the summer quarter last year, we had cut back on spending due to the first wave of COVID. This year; however, in the summer quarter, we have continued to invest some amount because we were on IPL etc., but not at the same levels that we would normally invested. Moving forward once we get back into normalization, we would expect the ad spend levels to continue to increase.

Ravi Swaminathan: Will be on par with FY2019 level FY2019-FY2020?

Shantanu Khosla: I request we just move onto someone else I mean I do not want to cut your short, but just to give everyone a chance and then we will come back, and feel free to contact us separately if you want to more details. Thank you.

Moderator: Thank you. The next question is from the line of Mayur Patel from IIFL Asset Management Company. Please go ahead. The next question is from the line of Ankur Sharma from HDFC Life Insurance. Please go ahead.

Ankur Sharma: Good morning and congratulations on the great numbers. Just have two questions, one on the Fan industry, so if you could just talk about what would have been the growth or the degrowth we would have seen for the industry overall for FY2021 and also what would have been similar number for Crompton, the reason I ask this question is to understand the kind of share gains we may have had either from the unorganized or our own efforts in terms of new product launches and premiumization etc., and more importantly either the share gains of unorganized do you think that can sustain or even accelerate with the second wave?

Shantanu Khosla: On share like I think I talked before, we measure share based on consumption share from detail audit data, a third-party detailed audit data. Based on that data that is share we report on Fans over the past

12 months, holding period and latest data is as of March, we have gained one point in market share. We are the largest share gainers in the category. This share gain has largely come not from unorganized players as such but people who have got very small brand positions in the Fans category even though there have maybe organized players with a major player in some other electrical categories. So, we are gaining shares the fastest in this category over the past 12 months.

Ankur Sharma:

Sir anything on the overall industry growth versus our growth for 2021?

Mathew Job:

Like we have mentioned in the previous calls, I think in the first half the margins were obviously declining but if I look at the last two quarters only, let me separate the year in two halves because the growth was came into the market only in the second half of the year, is in Q3 and Q4 the market did shows the market has roughly grown around 9% to 10% and obviously we have grown much faster, as you have seen in the last quarter, our Fans growth was also around 30% to 40% and this time again it is pretty strong and that is how we have continued to gain share Shantanu mentioned.

Moderator:

Thank you. The next question is from the line of Mayur Patel from IIFL Asset Management Company. Please go ahead.

Mayur Patel:

Just want to thank you guys to guiding us extremely transparent way in terms of the margin pressure and commodity crisis and Mathew was the first person and only and is only person in the conferences in February to highlight this change very clearly maybe he was painting a very rosy picture on the margin so thanks a lot for that. Just one clarification I wanted this 8% increase in April and May, is it fair to say that we will either need to increase prices by 8% or through mix and cost reduction that 8% have to be mitigated or some part of that already you have taken a price hike in April? That is the only question from my side.

Shantanu Khosla:

Mathew, I did not catch it, would you mind take that?

Mathew Job:

I will answer the question. As we mentioned before in Q4 there has already been a commodity increase roughly to the extent of 12%. This is in Q4. In April and May so far, the commodities have further increased so that there was another 8% impact. So, obviously the impact, so far in terms from Q4 from now because of the commodity inflation is roughly 20%. Now obviously as I mentioned sometime back between two to three rounds of price increase, I would say 10% to 12% out of the 20% has been passed on to the markets. Now, like I mentioned and as Shantanu has mentioned in previous calls as well, the mitigation of the commodity increase has to happen to the combination of (1) Price increase, of which I mentioned roughly commodity has gone up 20% within these five months and through price we have passed half and the other two levers which is mix and as Sandeep, also mentioned for example, in the last quarter while Fans grew, the premium Fans have grown by a factor of 1.5 times the overall Fans growth. So, our overall Fans is very strong but premium Fans have grown nearly 70%. So, obviously the continued drive to improve mix and number three is the Unnati programme, the cost reduction programme which we have very successfully run for many years.

Now, through a combination of these three we try to offset the commodity increase but I think one needs to keep in mind, it is not going to be possible, or it is not even the right approach to try and negate on a quarter-on-quarter basis, our intention and objective is to retain our profitability not in a quarter-on-quarter but in a way that sustains our topline growth while getting our margins back to normal levels within that two to three quarter kind of framework, that is how we have been approaching this and therefore, I believe we should be approaching this, not trying to offset on a month-on-month or on a quarter-on-quarter basis.

Moderator: Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead

Siddhartha Bera: Sir, and thanks for giving the opportunity and on a good set of results. Sir, my question is on the ECD side of business, we have done really well on the new product launches in the past, like Geysers' and also, going ahead for FY2022 if you can possibly highlight some of the new product launches which are looking to do and given that the second wave of COVID has come, so any change on the timelines side, if you can highlight it would be really great to understand how this part of the business shapes up going ahead? Thanks, Sir.

Shantanu Khosla: Okay, first in terms of COVID impact yes, right now in April and May the market was shut, so there is a short-term impact in terms of the timeline. But like I mentioned earlier given the strength of our balance sheet and our long-term commitment to investment in our business we will continue like we did last year to invest in appropriate superior new product introductions across our appliance range as the market opens-up just like we did last year. Now, we have had great progress in our appliance programme over the last 12 months–18 months, but we still have huge opportunity for growth. We have made significant improvements in our share position in Geysers which we started the earliest, but we have literally just begun filling in the gaps in our portfolio, putting the right high quality superior value propositions in various segments like mixers. So, there is a lot of new product innovation planned in the existing categories to continue to gain our market share. We are still very low on share in small Kitchen Appliances, and we will continue to drive that, and we see a lot of head room for share and revenue growth just like we did in Geysers.

Moderator: Thank you. The next question is from the line of Ashutosh Garud from Ocean Dial Asset Management Company. Please go ahead.

Ashutosh Garud: Sir, my question is, last year in Q2 – Q3 and even in Q4 we have seen a market share gain because of the ground level difficulties from business angle for many of the competitors as well. Having said that, we are again into the second wave and even the commodity increase as that has increased, would this be beneficial for you to further gain your market share, accelerate it basically having someone else in the call also briefly mentioned about it going ahead do you see from a market share angle, any angle helping you for a volume growth from Q2–Q3 quarter?

Shantanu Khosla: The simple answer to your question is yes. Like I mentioned a little earlier, as the markets open up, we have learnt, and we successfully did it last year in terms of an ability to quickly have the vertical strata faster than most of our competition. We believe that as the markets open up that learning will stand us in good stead, and we will be able to open up quicker than most other players. Secondly, during challenging times like this and this is a scenario which is even more unique than last year because there are challenge in times both on COVID and the lock down and therefore demand, but there are also challenging times in terms of the significant commodity price increase. At times like this, we believe that the investments we have made in our processes, systems and capabilities, the investments we had made over this period in our people and our brands will enable us to come out stronger than most of our competition.

Moderator: Thank you. The next question is from the line of Sonali Salgaonkar from Jefferies India. Please go ahead.

Sonali Salgaonkar: Thank you for the opportunity. Sir, could you quantify our current distribution strength pan India and also the breakup of rural versus urban, and lastly, your thoughts on utilization of robust cash on your balance sheet and capexes? Thank you.

Mathew Job: In terms of our distribution, we measure it by what we call reach. If I look at, let us take Fans for example, in Fans during the entire financial year we improved our distribution reach, availability of our product Fans by almost 3% point, so they are today available in almost 55% of outlets. Even within the year the biggest gain in terms driving reach improvements has been by Crompton that is one the primary reasons where we have also got the delivery and improvement in share. If I look at other categories for example in Water Heaters, there we have been rapidly gaining share, also our reach has almost grown by 50% in the last 18 months. In Lighting our reach is only around 30% and that is an area where intend to focus as we go forward. Sandeep you can take the question on cash.

Sandeep Batra: Our business model remains quite asset light and with negative working capital the business has been able to convert over 100% of the profit before tax into cash and that gives us amongst our peers as most healthy balance sheet and as certainly has come in very handy in these disruptive times, because we have obviously ensure that in times when market is disrupted and our collection cycle gets disturbed, we have ensured on time payment to all our vendors and a large number of vendors are micro, small and medium enterprises. Having said that obviously beyond a certain point, we do not want to keep idle cash, the objective is to re-invest that in the business, I think as had been referred earlier or has been mentioned in one of the earlier calls, we remain on the lookout for inorganic opportunities which we would be pursuing. So, that would be the first and the best way to reinvest and redeploy the cash and in case over a period, we are not able to close any such transaction, we would look to give it back to shareholders in the form of dividend or some other way.

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

Bhavin Vithlani: Thank you for the opportunity and congratulations for great set of numbers. My question is specifically on the appliances portfolio and within that in specific Air Coolers and Mixer-Grinders, will appreciate if you could answer my question into two parts, one is in terms of new products and the gaps that you have filled in, second is in the reach and how are we seeing the ramp up also related last year at the same time you highlighted because of the COVID when shutdown investments in Air coolers was decelerated?

Mathew Job: As you know we have three categories to focus on to grow our appliances business; one was Water Heaters, Air Coolers and Mixer-Grinders. Of course, the first one which is of was Water Heaters and that is why as I mentioned before we moved from being number-6, number-7 to be number-3 and close to being number-2 in Water Heaters. The Air Coolers, I would say the journey is roughly 12 months to 18 months behind what it is in Water Heater, so if I look at the last 18 months or even 24 months, we have been the fastest growing company in the Air Coolers business. Last year a lot of our business was driven through a range refresh in Desert Coolers. Unfortunately, last year of course during the peak period we had the COVID impact which meant that we could get the full impact of the introductions we made. This year we have expanded that the range enrichment from Desert Coolers also to Tower Coolers and Personal Coolers, so now we have a fully enriched range across the entire Air Cooler category. Now, however of course this year again as you know April-May is peak period for Air Coolers and the lockdowns have impacted even this year as expected like it impacted last year. But for us I think it does not change our long-term strategy on Air Coolers which is to drive growth through offering differentiated propositions that is one. Second, in terms of Mixer-Grinder's I would say in the last six months or since the end of May we have been doubling our Mixer-Grinder business. But Mixer-Grinder we come from a very low base we have low single digit share. So, even doubling the sales it is not good enough. So, we have full-fledged product programme in place, the objective is to revamp our entire product portfolio in a period of 12 months to 18 months like we did for Water Heaters and Air Coolers. So, I think Mixer-Grinder is also a in the trajectory and our object is to get disproportionate growth in all these three categories going forward.

Moderator: Thank you. The next question is from the line of Aadesh Mehta from Motilal Oswal. Please go ahead.

Aadesh Mehta: Sir, just a book-keeping question, in terms of tax write backs how much amount do we have available for next year or so?

Sandeep Batra: We have taken a certain position in our tax returns and in our accounts which we wanted to get validated or confirm during the assessment process and in our books, we did not consider the benefits and only when it was finalized or considered by the tax authorities on year-on-year basis we have written back that tax component. Bulk of that is done. I think only one more year would be left.

Moderator: Thank you. The next question is from the line of Keyur Haresh Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Haresh Pandya: Thanks for the opportunity and congratulations for good results. Sir, my question, can just give more idea about how the April and May have been for us and just want to ask that how the inventory in the channel would impact the recovery for our primary sales and what is the situation of channel inventory, is it high considering that we have done quite a good sale in Q4?

Mathew Job: Obviously, if you are going to compare with last year, because that was something in the last year, you are right in last year in the last 15 days or 20 days of March there was no sales and it was shut down and typically the whole of March is a period when there is significant loading of inventory in the trade as the loads of inventory in expectation of April and May sales last year did not happen because of the lockdown that happened in March, this year in March the sales was good both the selling and sell out was good. If you ask me on the April 1 this year obviously the stock was slightly higher than what it was of last year, but if you consider year before or a normal year the April 1, inventory is not high but compared to last year it is high. So, if you ask me when the pandemic, the wave-2 subsides is the pickup in primary sales is going to be as sharp as last year? It is difficult to say it also depends on the underlying demand and how the underlying demand comes back. But of course, one needs to factor in the fact that the trade stocks are higher than last year, but eventually how the subsequent months will play out will actually depends only partially on the opening stock of the channel, it will more depend on how the demand comes back eventually because otherwise it is a question of 15 days–20 days here or there. So, that is something on which the trajectory of next few months will be determined.

Moderator: Thank you. The next question is from the line of Shreyash Bukhanwala from Canara Robeco Mutual Fund. Please go ahead.

Shreyash Bukhanwala: Thanks for the opportunity. Sir, my question was on the Lighting margins which we have delivered this quarter around 15.5%, so what has driven that and how should we look it on more sustainable basis?

Shantanu Khosla: I would like Sandeep to take that, but just one point before Sandeep takes it. As far as the Lighting margin goes, we need to recognize that the past few years was extremely turbulent as there was a huge amount of price erosion which was supported overtime by cost reduction also. That price erosion especially on the B2C segment has largely stopped and as the costs continue to come down the margins are improving. So, that is what I mentioned that now, with the price erosion on B2C largely stopping these critical strategic categories fundamental structural profitability has been restored. So, that is very positive thing, I believe for not just us, but for the industry as a whole. Sandeep, you have got anything more you want to add on the margins.

Sandeep Batra: No, you have covered it very comprehensively and we see no reason while they are not going to hold the same line, but structurally double-digit margins are very much sustainable in Lighting.

Moderator: Thank you. The next question is from the line of Rahul from Haitong. Please go ahead.

- Rahul:** Sir, firstly congratulations on good performance in the quarter. You have given lot of segmental information for the fourth quarter, could you give the revenue breakup of the important categories like Fans, Appliances, Pumps, LED for the full year?
- Shantanu Khosla:** Sandeep, do we share that information?
- Sandeep Batra:** No, we do not share that information. That information I am sorry we will not be able share detailed breakup of the categories below the segments.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Thank you for the opportunity and congratulations for the strong results. My three questions are, firstly since you mentioned that among the other segment, Lighting is the segment where the reach is lowest so would it be right that the next M&A should we expect that the Lighting segment largely to expand the reach of the market share and if so do we have any timelines or any prospects on cards for this segment? Also, what would be the kind of cost savings from project Unnati that we are targeting for FY2022? Do we have any broad numbers or the target for this category as of now, for the savings as of now?
- Shantanu Khosla:** Renu, on the first question obviously I cannot comment, it is not appropriate for me to comment; on the second Unnati, Sandeep?
- Sandeep Batra:** Obviously, the target assumed normal year would have been around Rs.175 Crores of savings. But that assume as I said the normal year is few months are going to get washed out because of lockdown then that targets will have to be suitably recalibrated.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thank you for the opportunity, Sir. One question is with respect to market share if you could give the market share we have in Fans, Pump, Lighting and Appliances? Secondly just clarification on the cost savings in Unnati what are the key heads here where we see the cost reduction, if you could comment on that as well that could be very helpful? Thank you.
- Mathew Job:** I could not hear properly, can you repeat?
- Shantanu Khosla:** I think the first one was market share in the sub-categories and the second question was what are the broad heads in which we are getting cost saving in Unnati?
- Mathew Job:** So, market share in Appliances you asked, right?
- Shantanu Khosla:** In different categories Fans, Appliances, etc.,

Mathew Job: Anyway in Fans and Pumps, Residential Pumps we have market share of roughly 27%-28%, now again if I look at Lighting, the market share is lower. The B2C LED market share is only around 8% to 10% in that range depending on which quarter you are talking about. In Appliances of course in Water Heater this is the one in which we have roughly 15% market share in the other categories which is Mixer-Grinder and Air Coolers our estimated market share is in single digit. In Unnati, of course, the cost saving is on different heads I think the biggest saving is still in terms of the product cost, there are different levers on which the Unnati has delivered multiple year results. One is in terms of what I call, some level of product redesign. That would mean for example use of alternate materials that is one lever. It would be redesigning the product in terms of eliminating those features for which the consumer does not see any value. So, eliminating what I call non-value added features which add cost, but does not add any meaning to the consumers. Number-3 would be negotiating better, in one of the things we have done over the years to setup central purchase organization so that we can negotiate as one company rather than core businesses. Looking at alternate vendors where it makes sense, looking at alternate country sourcing where it makes sense. That is one side of cost. Second one is optimizing the processes within the sourcing locations and the factory, how do I make our factories and our co-partners more efficient in terms of manufacturing and so on and so forth. So the whole gamut of costs then there also an indirect cost can we have our logistics cost more efficient and so on and so forth. So, I would say pretty much every element of cost is being worked on that is the only way we have five years of such huge savings, so that is how that is proceeding.

Moderator: Thank you. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Sir, good afternoon. Sir, my question is again on you project Unnati, so if go by the numbers you indicated Rs.175 Crores that if I look at it on a second half revenue basis that translate to roughly 1.5% - 2% on margin. So, if not in fiscal 2022, like do we have fairly high visibility that may be with the lag of three months to six months, this is like low hanging fruit for us?

Shantanu Khosla: You are right. Our ongoing goal on Unnati has been to save about a 0.5 every year. However, it is important to realize that this when gets reapplied in different ways. For example, part of it definitely gets reapplied against commodity inflation, part of it gets reapplied in greater investments in capability and brand building. If you think of our business over the years, we have made significant investments in almost every area of the business. The investments for example which we are making today in building our R&D capability or our go-to-market capability, all of this is reapplication of savings which we are creating through the Unnati programme. So, that continues unabated. In fact given the commodity increases we doubled down and try to accelerate some of that, but it is not right to necessarily assume that this will also improve margin? No. This is if you will the source of funds for investing in our business and brand growth.

Moderator: Thank you. The last question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

Shrinidhi Karlekar: Thanks for the opportunity and congratulations on great set so numbers. Si, I just had a question on Fan industry demand coming from rural India. According to your assessment how much of the volume demand of Fan comes from that six lakh villages we have and how is the demand in terms of brand, is it very different what a rural villager buys compared to say Tier-2, Tier-3 town customer?

Mathew Job: Our penetration in the rural market is very limited. Bulk of our sales comes from the urban markets and more so from the towns which are 1 lakh and above. Now, our current, when we say it is rural or urban distribution expansion, we are basically talking about expanding the reach of our product to towns which have 10,000-population to 1-lakh population, so I would say still largely urban maybe we might just touch the higher end of the rural area. So, I do not think we are really talking hard to rural ends to our extent. But what we have seen at least in the lower Tier of urban market and the bigger towns we do not see a significant difference in the kind of products itself, because I think their expectations that what sells in rural or urban is only the lower specification product is not really borne out by data, so we do not think that significantly different portfolio will be required to cater to the demand in urban market.

Moderator: Thank you. I would now like to hand the conference over to Mr. Shantanu Khosla, for closing comments.

Shantanu Khosla: Thank you so much. Thank you for taking the time to join the call. As always, our objective in these calls is to try and be as transparent and open as we can to give you a better understanding of our business and how we are looking at our business. As always if you have got any questions in terms of follow up or we would not be able to get, so please feel free to contact any of us, we will more than happy to address them. Finally, please stay healthy, stay safe, look after your families that is the most important thing and if you have the opportunity get back soon. Thank you so much and take care.

Moderator: Thank you, Sir. On behalf of Batlivala and Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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