Crompton

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Date: October 28, 2016

To, **BSE Limited ("BSE"),** Corporate Relationship Department, 2nd Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001.	To, **National Stock Exchange of India Limited ("NSE"),** "Exchange Plaza", 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex Bandra (East), Mumbai – 400 051.
BSE Scrip Code: 539876	**NSE Symbol: CROMPTON**
Our Reference:80/2016-17	**Our Reference:79/2016-17**
ISIN: INE299U01018	

Dear Sir/Madam,

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

With reference to our earlier intimation regarding the earnings calls on the unaudited financial results for the quarter ended September 30, 2016, kindly find enclosed the transcript of the same, held on October 26, 2016.

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

Thanking you,
For Crompton Greaves Consumer Electricals Limited

Pragya Sahal Kaul
Company Secretary and Compliance Officer

Enclosed: A/a

“Crompton Greaves Consumer Electricals Limited Q2 FY 2017 Earnings Conference Call”

October 26, 2016

MANAGEMENT:	**MR. SHANTANU KHOSLA - MANAGING DIRECTOR - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED** **MR. MATHEW JOB - CHIEF EXECUTIVE OFFICER- CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED** **MR. SANDEEP BATRA - CHIEF FINANCIAL OFFICER- CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED** **MR. YESHWANT REGE - VP, STRATEGY AND FINANCIAL PLANNING - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Crompton Greaves Consumer Electricals Limited Q2 FY2017 Earnings Conference Call, hosted by Motilal Oswal Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur V Sharma from Motilal Oswal Securities. Thank you and over to you Sir!

Ankur V Sharma: Thanks. Good morning ladies and gentlemen, on behalf of Motilal Oswal Securities I would like to welcome you to the Q2 2017 post results earnings call of Crompton Greaves Consumer Electricals Limited. We have with us today the management team represented by Mr. Shantanu Khosla – the Managing Director, Mr. Mathew Job –CEO, Mr. Sandeep Batra – the CFO and Mr. Yeshwant Rege – VP Strategy & Financial Planning. We shall start with the opening remarks from the management and thereafter we shall have the Q&A session. Thanks and over to you sir.

Shantanu Khosla: As usual I will preface with some comments from our side and then we will be happy to take questions from you. Let me sort of dive straight into the numbers and try and add some more details to it for your benefit.

Total income for the quarter at 890 Crores was at a growth of a little under 11%, 10.6% to be precise. We posted an operating profit as we have been communicating before corporate expenses and exceptional items of 120 Crores for the quarter which was a growth of 53.6% versus the base period. Margin increased from 9.7% in Q2 FY2016 to 13.5% in Q2 FY2017.

As we have been talking in our earlier calls we are providing this operating profit for comparison basis to give a perspective of how we are doing versus the previous year, this actually will now be the last quarter that we need to provide this kind of number as the company as you are aware was up and fully functional by October 1, last year so for the coming quarter we will give straight out comparison on EBITDA etc., without making any adjustments for prior year. I would also like to point out that in the prior year base period when the company was still a common entity, so there were we believe around 8 to 9 Crores of one off items which were charged by CG in its books largely relating to things like gratuity and leave cash encashment etc., so to that extent the profit growth is slightly overstated for this quarter and if we were to take that into account an operating profit would be around 40% in terms of growth.

Looking at this business by our two segments the electrical consumer durable business reported sale of 604 Crores with a growth of 15.1% and EBIT margin of 15%. All our categories contributed to the growth of the ECD segment and specifically the key focus areas, which we have been driving as part of our overall strategy delivered really strong performance. Our volume growth on premium fans continue to be robust and for this quarter was close to 50% taking our salience of premium fans up to

13% growth in agro pumps was more than 30% in value terms so our strategic choice were key drivers behind the growth.

The second segment our lighting business reported a sale of 286 Crores with a growth of 2.3% and EBIT margin of 10.2%. For reference the EBIT margin in Q1 the previous quarter was 5.8%. The significant improvement in lighting margins was driven by the continued efforts of us to bring down costs and the number of cost saving initiatives, which has now flowing down into the bottomline.

For reference in the lighting business while the overall growth was 2.3% our key focus area which we have been talking about and which we see as really the future of this business which is the LED segment grew at an industry leading 64%. Our non-LED business declined by 29%. Within our LED business our LED bulbs where we have passed on cost savings in terms of lower prices with the consumer grew by 150%. The LED fixtures grew by 30%.

Our retail audit data also indicates in terms of the latest data we have which is August that we are continuing to gain retail consumption share in ceiling fans and LED lights which is if you recall one of our key objectives to grow faster than the market and thereby grow market share.

I would also just like to mention a couple of other things. One is as lot of you are probably aware we now have shareholder approval for our employee stock auction scheme. We as the management of Crompton Greaves believe that this is a critical driver to ensure we align the reward structure for our key leaders with the interest of our inventors and shareholders. We will be now as per the board interaction deploying this scheme out and this scheme is designed to cover about 30 of our top leaders across businesses and functions. This ESOP scheme will now begin to be charged out from next quarter onwards.

The second thing I would like to just inform you is yesterday in our board of directors meeting Mr. Hemant Nerurkar currently an independent director was elected and appointed our Non-Executive Chairman for the company. This is something, which we in management believe is outstanding for the company and the right step especially in terms of splitting the Managing Director and the Chairman role because we think for long-term governance that is the best way to operate so Mr. Hemant Nerurkar is currently now our Non-Executive Chairman. Just to let you know we have informed the stock exchange that the ESOP scheme has been approved and implemented.

Finally I would just like to briefly touch back on our key strategies and how we see them working. I will not repeat all of them since we have talked them at length but we are working five key strategies brand excellence, portfolio excellence, go to market excellence, operational excellence and organizational excellence. We continue to believe that these are the right strategies to focus on for the near and long-term. We have started to make some significant steps along all of these for example on portfolio excellence bringing the consumer into the center of our brands and programs we have recently last week launched a very exciting innovation on our core fans business where we have introduced the first Anti Dust Fan which reduces dust collection on fans by 50%. We think this is an extremely exciting initiative. It is unique technology. It is distinctive and superior to what is available in the market and importantly it meets a clear unmet consumer need I am sure all of you like me have experienced with some point in time in your life the extreme hassle of of fan cleaning.

On LED lights we are also continuing to drive the business. The numbers our growths are indicating that it is working but we are only in the beginning of the program. We have made significant interventions in cost, which have enabled us to reduce our pricing on LED bulbs over the last six, nine months by up to 70% while continuing to hold, or even slightly increase margins in this segment. We have also recently introduced new innovation on our LED tube light business which is significantly more energy efficient than our currently lineup had. These programs we believe will continue to drive the business going forward. Go to market excellence we continue to build our distribution, our direct coverage in small and large towns, our network continues to grow and results are encouraging as we expand that program.

Operational efficiency is really at the heart of delivering the kind of cost savings for example this quarter we improved margin by 380 basis points which is enabling us to reinvest in driving growth for the business. Net our strategies are working, our strategies are delivering, and we believe the results that we aspire to achieve, we have to continue to work hard to execute them with excellence as we move forward.

With that I would once again thank you all for dialing in and open it up to questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Venu Gopal Garre from Bernstein. Please go ahead.

Venu Gopal Garre: Thanks for the opportunity. Sir firstly on the lighting segment you have mentioned about a lot of cost measures which have led to a decline in cost for you and it is fairly visible in terms of margins on a Q-o-Q basis but having said that given the volatility that we have seen in margins across the four quarters that we have reported is this 10% broadly a sustainable number and the reason for asking that is because the price drop even in terms of what EESL is procuring seems to have been fairly large when we look at the most recent tender?

Shantanu Khosla: Yes we believe the 10% is largely sustainable. Quarter-on-quarter the only thing which is likely to create volatility in the margin is not anymore likely to be cost of pricing but it is more likely to be is that a quarter in which we advertise or is it a quarter we do not, because obviously we would typically advertise lighting call it seven, eight months in the year so and it will get charged for the quarter in which it actually happens.

Venu Gopal Garre: Sir secondly on the balance sheet side could you just explain to us any changes especially with Ind-AS because what I see is long-term debt has gone up the March levels, while currently liabilities have gone down so is there any reorganization there?

Sandeep Batra: No there is no reorganization that has happened on the balance sheet. Term loan that we had from Axis Bank, we refinanced through a bond issuance in June. Now under the accounting standards whatever loan is repayable within one year gets classified as current liability. So in the month of March whatever one-year repayment we had to do to Axis Bank would have been shown as current liability; however, the bond issuance, the first repayment happens only in 2019. So therefore the entire bond issuance, bond liability is shown as long-term debt and because of the fact that we have no repayment in the next 12 months there is no amount shown as currently liability. Does that clarify?

Venu Gopal Garre: Yes I can see that yes got it. What about acceptances has there been any recognition of that as debt or something?

Sandeep Batra: No that is not shown as debt on the balance sheet.

Venu Gopal Garre: Thanks a lot.

Moderator: Thank you. We have the next question from the line of Renu Baid of IIFL. Please go ahead.

Renu Baid: Good morning Sir. Sir thanks for broadly sharing the segment wise growth numbers, but would it be possible to give a little more colour on the category wise overall growth during the first half or during the second quarter especially fans and pumps. So you have highlighted about the premium and the agri pump segment but overall as a category especially these two segments how have they performed?

Shantanu Khosla: Well both the segments have grown well and both the segments have grown ahead of company average growth in both quarter one and quarter two.

Renu Baid: The LEDs today would it be safe given the kind of growth it still would be approximately 2/3rd of our segment sales?

Shantanu Khosla: No, like we had mentioned, just to correct you the last quarter, last quarter was the first time that LED became more than 50% of our total lighting revenue. That trend is continuing so it is continuing to grow. It is not yet two-thirds of the total lighting business but now given it is in excess of 50% and it is in fact accurate number is 53% for this quarter since this is the segment which is growing extremely fast and the other segment is declining in some way Arithmetic moving forward will be favorable.

Renu Baid: And in the lighting segment do we still have any order for street lighting from EESL or probably those orders are executed in our backlog today, any view on that?

Shantanu Khosla: Yes we still have orders for EESL of street light that are to be executed in the next quarter.

Renu Baid: What would be this value approximately?

Shantanu Khosla: It is about 27 Crores or so.

Renu Baid: Sir my second question is on ESOPs that now it is approved by shareholders and if we see the PSP1 range which essentially about 11 million shares so there what would be the kind of hit that would be coming on our P&L? Would it be safe to assume a 20, 25 Crores annual addition to the staff expenses if we normalize on a mark-to-mark basis for the gap up at the current market price?

Sandeep Batra: So Renu the way it will play out in our accounts is that for this year the charge will be on the basis of intrinsic value which will come to about 20 Crores for the second half. Going forward under Ind-AS the intrinsic value method cannot be used so we will have to do the full valuation under fair value using the black scholes method that amount we have not yet worked out and that is something that we will have to work out in consultation with our auditors, but to give you a perspective the total charge for the PSP one over the life of the scheme under intrinsic value will be 98 Crores and I think the way the ESOP accounting happened a significant amount of it gets frontloaded that is the way you have to amortize the charge of ESOP so for FY2018 using only the intrinsic value the charge will be about 36 Crores.

Renu Baid: So that would be under the staff expenses from next quarter onwards?

Sandeep Batra: Yes that will show as payroll cost but this is non-cash.

Renu Baid: But that would be equalized over quarters or it would hit in a particular quarter for us?

Sandeep Batra: No, for the full year it will be amortized equally over every quarter.

Renu Baid: Sir my last question is on the distribution side. I understand we had initiated a small excise on a pilot basis to realign and to have a better reach at the retail end so if you could share what has been the status on that pilot scheme and what are our plans to extend that on a pan India basis and across categories a little more color and details on that side?

Shantanu Khosla: Yes, the pilot was supposed to be done as we mentioned earlier in south in lighting. The pilot have given us some learning but we have also had a fairly successful implementation in south at this moment we are now planning the rollouts to other regions in lighting to start with but its rollout to other businesses will happen once we have completely rolled out in lighting across the country and that will happen over the next few quarters.

Mathew Job: The test in lighting met our expectations in fact recently exceeded our expectation both in terms of quantity of distribution which our data indicates is growing quite nicely and also importantly in terms of simple things like visibility etc., so we have now decided based on that to expand. Itt is in process of expansion across India. We are expanding first in lighting. one of the reasons we are expanding first in lighting is because we feel the opportunity in retail lighting is actually the largest. So we want to go after that opportunity first.

Renu Baid: But we do not foresee any adverse impact on our volume numbers because of this.

Matthew Job: No we do not and that was partly why we did it first in lighting in the south so we could learn how what impact happened. For example in inventory correction in the first couple of months. Having learnt that we have moved forward and we do not expect that that will have any significant impact. Also you must remember that we are doing this on lighting which for us is basically LED lighting which in any case is growing at , 64%.

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

Moderator: Thank you. The next question is from the line of Inderjeet Singh of Macquarie Group. Please go ahead.

Inderjeet Singh: Thanks a lot for the opportunity. My question is on the cost and the margin side. Now given that we had full 12 months of data in terms of this corporate charges and the exceptional charges in related to transition can you give some numbers as to how much has been booked in the last 12 months and how much of this you believe will not continue going to maybe FY2018 or maybe second half of FY2017?

Shantanu Khosla: Two things, I will just give an overview and then I let Sandeep give you the specifics on the details. We had due to the transition two broad types of charges one was whatever charges were due to pure transition onetime charges and the second was the cost of the service agreement which is a 12 to 18 months arrangement for certain services with CG. Now the onetime costs whichever maybe there lawyers fee, registration fee those kind of things obviously a onetime and will not happen again. The transition services cost, which we are paying to CG for this period which was an agreement which was valued at 17 Crores on an annual basis that will go away; however, that will now be replaced to some extent by our own incremental costs of providing that service. For example like we have talked we are currently implementing our own SAP so that will have a certain cost. We are implementing our own HR and Human Resources and People Systems that will have a certain cost, which will then, be the ongoing cost, which replaces the service agreement transition agreement with CG. For example in this quarter which is the one which we are reporting we are obviously charging the transition cost but we are also charged certain setup SAP cost for our own system which will only become operational in March for this quarter we are actually got a bit of a double charge if you will and that will continue for a couple more quarters till the TSA completely goes up and gets replaced with us so that is how in principal it works Sandeep you got anything on specific numbers if you could add.

Sandeep Batra: So Inderjeet our corporate cost for the quarter was about 25 Crores, which includes about 8 Crores of nonrecurring cost part of it is the cost for implementing SAP and part of it is another project that we are working on for cost reduction so these are the two one-half costs if you strip that that will give you based corporate cost number of about 17, 18 odd Crores where you will see some reduction happening may be about 2 Crores a quarter coming in from January when part of the TSA comes to an end and may be another 2 Crores a quarter coming in from July onwards, when the entire TSA gets over. As far as your question was on exceptional expenses for demerger so the total amount that we have spent is about 14.5 Crores 13.93 Crores was spent last fiscal and in this year we have spent about 45 lakhs for the demerger expenses there are still some more expenses to be done but I do not think that will go beyond 2 to 3 Crores.

Inderjeet Singh: Just one question related to what Renu was asking now this 36 Crores is basically based on the intrinsic module but under Ind-AS you would have the provide under what would be the fair value of the options right?

Sandeep Batra: Correct.

Inderjeet Singh: That number can be different from the 36 Crores?

Sandeep Batra: Yes certainly because this intrinsic value does not include the price for the option so that valuation is we are yet to complete that because we are required to.

Inderjeet Singh: Is that likely to be significantly higher than 36 Crores.

Sandeep Batra: I would not be able to comment at this stage.

Inderjeet Singh: My last question, Shantanu what we have seen is in the year some of your competitors especially like Havells we have seen the staff cost go up significantly so the sense is they have been ramping upon their secondary sales force in a much bigger way. Is there something that you believe Crompton would also would have to react to that given product lines are structured and would that be an additional cost which can come through going forward?

Shantanu Khosla: We do not see any significant impact in terms of costs and we have independent of Havells been almost for the last year investing in the capability of our people especially the frontline sales force. It is not only a question of number of people. It is also a significant question of simply improving the skills on capabilities of the existing people and that is an ongoing investment, which is already, been doing and will continue.

Inderjeet Singh: Thanks a lot. I will come back for more in the queue.

Moderator: Thank you. We have the next question from the line of Mayur Patel of DSP Blackrock. Please go ahead.

Mayur Patel: Good morning gentlemen good set of numbers. Again sorry for asking the same question on one side your corporate overheads gradually will come down like you mentioned 2 Crores per quarter and then again after enter another 2 Crores per quarter and on the other side we have around 36 Crores of annualized increase in employee cost because of the ESOP scheme which is anywhere between 0.5% and 1% of sales so is there any other margin lever would you like to share with us to offset this increase in employee cost?

Shantanu Khosla: Yes, there are margins levers and we will continue to work them. They are not new or different from what we have talked before, which have been in operation if you look at our numbers over the last six, nine months. Number one is continuing to drive premium. We are seeing good results there and we are seeing that help us not only in the topline growth on the core segments but importantly also in the margin.

Number two there is a significant focus on continuing to reduce cost as you can see if you track our quarter-on-quarter numbers we are finding and we are investing resources behind improving our cost structure. This is not a one-time effort and on cost this effort will continue in some areas such as LED lighting, we have passed on a significant amount of the cost saving to the consumer but in other areas we have reinvested the cost saving either behind advertising new processes and capabilities for people we will continue to follow that approach. So we see in the future that our leadership group and our other employees are a key area where we need to reward and build the best capability. We will keep working other areas of potential improvement to be able to fund these investments just like we have done and talked about doing for example in the case of advertising.

I think three quarters ago we said one of our strategic choices is to invest competitively in building our brand and building advertising. We said that to do this competitively roughly speaking we will have to bring in incremental investment of around 3% of sales and we said that we will fund this via these margin improvement strategies. So fundamentally it is exactly the same game to do it and the same approach of course we have to execute the plans we have to actually deliver against that.

Mayur Patel: Fair enough. Is it possible to share which specific area of cost or in a supply chain or is it raw material or any specific area where the good part of the cost reduction is coming from?

Shantanu Khosla: I guess the only answer to that is all of the above. They are sourcing savings by leveraging scale, working closer with our vendors, there are operational savings in terms of increasing productivity on our line, there are logistic savings by being more efficient in terms of how we supply and our warehouse in supply chain design, there are some areas for example in LED where we would actually looked an areas where we could optimize the product without in any manner impacting the quality. So it is really all of the about.

Mayur Patel: I will come back for more questions all the best.

Moderator: Thank you. The next question is from the line of Venkatesh B of Citigroup. Please go ahead.

Venkatesh B: The first question is, is it possible for you to share your advertising cost in the second quarter I think this number was 25 Crores in the first quarter?

Shantanu Khosla: In the second quarter it was much lower and Yeshwant can share the actual expense but just to clarify we had stated that we will advertise competitively. To advertise competitively we believe currently it is somewhere between 2.5% and 3% which is a spend on an annualized basis. This will not be spent equally every month. So for example in the first quarter of the year we spent close to 3% but that was a higher level because we were introducing the campaign for the first time. In the second quarter our plan automatically brought the level down. In the third quarter now actually we expect the level to go up. One of the reasons is that the fan innovation on Anti Dust we believe is something, which needs to be advertised so we will be supporting that in our advertising so it will be higher again in the third quarter. In the fourth quarter it might go a little lower so the way to look at advertising my advice would be do not look at it on a quarter-by-quarter basis but look at it on an annual basis and then it just scheduling up the advertising. For our business for example because it is not very festival dependent, it does not really have a Diwali seasonality, it does not make sense to spend a lot of advertising around Diwali because cost of advertising in Diwali tends to be much higher so things like that. Exact number I think Yeshwant can give you for the quarter.

Yashwant Rege: Spend for the quarter was about 12 Crores on advertising.

Venkatesh B: Thanks a lot. My second question is on the lighting products division you did mention that 53% of the sales comes from LED in the second quarter. I was wondering does this 53% also include LED fixtures or this is just the lighting element which is 53% LED?

Yashwant Rege: LED fixtures included.

Venkatesh B: Now is it possible for you to give a slightly different kind of a classification that if you look at the entire lighting pie how much would be fixtures, how much would be LED and how much would be traditional lighting only?

Shantanu Khosla: See the fixtures can be LED and non-LED it just like the lights all can be LED and non-LEDs so for example when we say LED is 53% it means LED fixtures as well as LED lights also together is 53% of the total lighting business.

Mathew Job: Let me translate it in other way and I had mentioned it and see if it helps, if we look at LED and we split LED into bulbs and fixtures for the quarter LED bulbs grew in excess of 150% and LED fixtures grew in excess of 30%. Now one of the things to note in this is that the cost reduction and value correction we did first on LED bulbs we are only now beginning to do that on fixtures so our focus is to retain this kind of growth on bulbs while hopefully accelerate the growth on fixtures.

Venkatesh B: If I could ask this question slightly differently again. Now obviously EESL should have had a role to play in terms of reducing prices at the retail level. Now is the impact EESL impact also spreading to the institutional segment that you are being forced to cut prices beyond what you would normally cut just because there is EESL at the retail level so you have an institutional client who turns around and says that there are lighting elements which is available so cheap in the EESL market why do not you cut prices at the institutional level also is that happening?

Mathew Job: For example it is already happening because EESL is active not only in bulbs also in street lighting so a lot of street lighting is getting converted into LED and this phenomenon has been on for more than a year already. So a lot of similar kind of work, which has happened in the LED bulb space, has also happened on streetlight to ensure that we can compete in those segments also profitably. Impact is already evident in the institutional space with road lighting.

Venkatesh B: And are you seeing any I guess even in the fan side you have EESL now is that having an impact on prices or on the fan side it has not been a such a big success that is one part of the question? The second part is, is there a possibility that to more on the government realizes that why cannot we procure in bulk and start supplying on the electric consumer durable side because for example for years the Tamil Nadu government has been doing this at least across when we come closer to election time and things like that. So if you could just answer these two questions, the fan side and is it possible something like this happens in consumer durables?

Shantanu Khosla: Let me attend a step back and clarify a little how we are seeing EESL and how EESL is operating and then Mathew can take the specific question on fans. I think EESL had an objective in lighting. It is subjective in lighting was to bring down cost for the industry and drive the conversion of consumers to LED to save power for this country. Now when EESL came in, in lighting they actually have facilitated industry to reduce its cost. Like I said we have reduced pricing by up to 70% without dropping margins. Second EESL has helped begin the conversion of consumers but like we have stated and if we look at states like Andhra Pradesh, which is one of the early states after they do the initial seeding, they do not continue to run a business. They move out so in Andhra Pradesh they have stopped and they have moved to other states which have not yet done and then regular industry sells that is a model and that is how we seen them operate. When you look at fans versus lighting there are couple of differences why we believe fans will be a slower conversion in this process than lighting. The first is LED lights when EESL started was selling for about Rs.400. Now they have come down to let me call it a Rs.100. Fans is a more matured category so the extent of price reduction driven by cost reduction is much longer may be Rs.1300 down to Rs.1100 or Rs.1000. The second thing is in LED bulb saves about 70% to 80% power; however, a five star fan uses 50 watts versus a regular fan using 70 watts so the power saving per unit is also much lower. Thirdly for a fan you also need someone to install it which you do not need for a bulb therefore we believe that while spreading energy efficiency along with EESL it is a good thing to do unlike LED bulbs in fans it will be slower because the cost difference or the cost opportunity is much less and the energy saving potential is much less.

Mathew Job: I can add a fourth point also if you look at a CFL bulb which is primarily being replaced by LED a CFL bulb in a home typically comes to a replacement every six months if you have four or eight bulbs in your home every three to six months your bulb coming for replacement at which time the consumer switch to LED bulb given by EESL but for fans the lifetime of the fan is 10, 15 years so that is another reason why this will be slower than in the LED apart from the point mentioned by Shantanu but of course the EESL has floated from tenders in fans and we have participated in them and of course we got the same logic they will give for LED lighting we will participated in them and find the right way to maintain a threshold profitability.

Venkatesh B: Sir the last part of the question was do you foresee something on the electric consumer durable side?

Sandeep Batra: For us the electrical consumer durables is primarily is pumps and fans that is the biggest part of our actual consumer durable business so the comments we mentioned is applicable to fans is also applicable to pumps.

Venkatesh B: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Gaurav Sanghvi of Bajaj Allianz. Please go ahead.

Gaurav Sanghvi: Just in continuation of the last question what we also hear is EESL is also distributing the smart pumps at the free of cost to the farmers. So what is your view on that and do you think that will have an impact on pump business of the company?

Shantanu Khosla: In fact in the pumps part also like we have done to other segment we see there is basically opportunity because most of the activity that EESL going to do in pumps is going to be in the agro pumps area and if you look at our own pumps business is in the agro pump where we have a much lower market share than what we have in the residential pumps where we are market leader. So whatever guys the activity that EESL is planning in agro pumps we see there is an opportunity to really build up this is even faster in those areas so just like we have done for LED bulb for us it is an opportunity rather than a threat at all.

Gaurav Sanghvi: Sir the second question is on the new product addition what is our strategy in terms of new products we are planning to launch from medium-term if you can just highlight this strategy or thought process of the management on that side?

Shantanu Khosla: Two things one is new products in existing categories. Here our fundamental approach is to identify unmet consumer needs and develop superior technologies, and I guess an example of that is our Anti Dust fan, which we have recently launched. The second is how are we thinking about approaching new categories like we mentioned before we do see ourselves looking and evaluating adjacent categories where our strengths match. We are in the process of evaluating obviously we cannot talk more than that at this stage but it is one of the things we are looking at.

Gaurav Sanghvi: Thanks.

Moderator: Thank you. We will take the next question from the line of Mr. Ankit Babel of Shubhkam Ventures. Please go ahead.

Ankit Babel: Sir my question is that erstwhile CG was not spending much on advertising and still they were growing at around 10%, 15% year-on-year and we are focusing a lot on branding and advertisement but still our growth has been in the same range so when do you feel that this advertising will have a positive impact on the growth rate because the market conditions are the same they have not changed in the last few years?

Shantanu Khosla: Well I guess it is a difficult question to answer and tell you precisely by when, but what we see is that the key issue, which we identified was the fact that our current user base is tending towards older people so while we were for example market leader in fans total we were not market leaders among younger people and that is a very dangerous position for a brand to be in long-term, which is why our campaign is focused on trying to build our brand equity with today's younger people at point of change, that is critical for the long-term sustenance of the brand. We are seeing awareness in usership going up in this category also importantly this is enabling us to drive the premium segment, which is more appealing to the younger target group. Yes may be the overall fans rate of growth has not changed versus historical but the rate of growth of the premium segment has dramatically changed over the last 12 months. The rate of growth of LED has dramatically change over the last 12 months so advertising I believe therefore we need to look at in a little more of a long-term basis because it is the direction it takes a brand and how much stronger it makes the future.

Ankit Babel: Sir there are concerns in the market that Crompton participates in EESL tenders for fans it will be margin dilutive because the pricing are low and if it does not participate then the growth would be impacted what are your thoughts on this Sir?

Mathew Job: See if we look back at our own experience with the LED bulb tenders overtime we have also used the opportunity to manage our cost such a way that even with the EESL tenders we were making a better than threshold profitability. We see a similar approach in the fans space where we are using all these opportunities to help look at further cost opportunities so that we are able to maintain our margins even in the upcoming EESL tenders.

Shantanu Khosla: The last thing I would add to what Mathew says is the entire drive to make our portfolio more premium helps insulate us from this.

Ankit Babel: And Sir, have you finalized your dividend policy?

Shantanu Khosla: Yes we finalize it in our board meeting as we had said we would and it will be posted on the website.

Ankit Babel: Cannot you share here Sir?

Sandeep Batra: See there is nothing in the dividend policy basically, which will give you any indication of the likely payouts. It is a policy which details, parameters and the factors which will be considered before the board declares the dividend the policy does not give any dividend range and we will be putting it up on our website.

Ankit Babel: Thank you so much, all the best.

Moderator: Thank you. We have the next question from the line of Charanjeet Singh of B&K Securities. Please go ahead.

Charanjeet Singh: Sir in the LED space you have highlighted that we have lowered our cost significantly over the last six to nine months so if you can help us how do we compare versus the industry is it like the entire industry has brought down the cost and how is that sourcing model right now for the LEDs?

Shantanu Khosla: Of course the cost reduction has happened across the industry but if we look at our own cost competitiveness in LED versus traditional lights, it is definitely we are much more competitive in the entire LED space so I think the real focus we have put in the last year or so in terms of really looking at every opportunity in the whole range of LEDs definitely got us I think very much competitive with the rest of the industry.

Charanjeet Singh: Sir if you can just help us on the sourcing part how we are is it entirely imported or we are getting some sourcing done even from the domestic market?

Mathew Job: A lot of the basic components for the all industry comes from outside India but we are not importing any finished lamps we do a lot of the assembly here ourselves apart from this the LED drivers which is the heart of the LED product is designed completely in-house to ensure that the core of the solution is designed in a way that provides us a superior proposition versus those of our competitors.

Charanjeet Singh: Thank you.

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

Arnab Mitra: Thanks for taking my question. Just one question on the overall demand scenario so you obviously grown double-digit with a lot of your initiatives like premium fans and agro pumps but on the overall demand are you seeing demand remaining steady or it is actually worsened in the last couple of quarters in the context that other home improvement companies have also indicated that things have been sluggish recently so just overall commentary on the category growth itself?

Shantanu Khosla: I think there is only one category where we have seen a recent small level of slowdown and that is probably pumps and that relates to the fact we believe that this year the monsoon was very good across the board and coming out of the monsoon therefore especially compared to last year, the need for pumps right now is a little less because there is much less water shortage so in pumps to some extent in this recent period we are seeing a bit of a slower market but in terms of other categories we are really seeing no change. Obviously in fans as seasonality factor some of us looked up but we are not seeing any real change in market growth. In fans we are seeing within the category faster growth at the premium end of the market just like in lighting we are obviously seeing much faster growth at the LED end.

Arnab Mitra: And just one related question Sir is the growth currently that these categories like fans especially let us say fans is reporting is it much lesser than what it was four five years back or it is pretty much at the similar levels of growth that you that this category had may be five seven years back?

Mathew Job: If you look at market growth somewhere I think I don't know the exact years but the historical market growth rate, I think in the years between 2006 to 2008 was faster definitely than what it is today, but if you compare with the last two, three years I do not think there was significant change that has happened.

Arnab Mitra: Thanks. That is it from my side.

Moderator: Thank you. Due to time constraints we will be able to take one last question. The last question is from the line of Priyank Singhal of HDFC Life. Please go ahead.

Priyank Singhal: Congratulations on good results. I had actually two questions but anyway the first question is on the employee cost, Sandeep you mentioned 36 Crores for next year. Our first half employee expenses have been 97 Crores so if I were to just annualize that say about 200 Crores for this year and 36 Crores incremental on account of this ESOP next year so that is a reasonable increase in employee cost just on account of ESOP and then there would be something else as well so in terms of the overall increase we are looking at is it a way that you can sort of broadly indicate what it would look like for next year and therefore the overall impact of that on the margins and whether despite that here to be should be able to maintain our margins next year.

Sandeep Batra: I would not be able to give you a colour of what next year will look like, because there are too many moving objects obviously we are cognizant that the way the accounting of the ESOP charge has to be done there is a) some amount of frontloading that happens because of at any ESOP plan whatever is the lifetime cost nearly 40% gets amortized in the first year. Obviously we have a series of actions, which are underway, which are to look at not only driving topline but also improving cost and you will see that play out in the quarters ahead but just to remind you that these ESOP costs are obviously non-cash cost.

Priyank Singhal: Thank you.

Moderator: Thank you. That was the last question I would now like to hand the conference back to the management for any closing comments.

Shantanu Khosla: Thanks a lot. I hope we were able to clarify any questions you had. I fully understand and appreciate that we may not have been able to cover everything but if you have any pending questions please do not hesitate to contact Yeshwant or myself or Sandeep. The last request I have is we have kind of been doing these calls and these calls are really to meet your needs now for the last three or four quarters so if you have any feedback to us on what would make it more effective for you moving forward in the future please let Yeshwant know that also because really they are designed to for you not for us. Thank you all very much and see you, speak to you soon.

Moderator: Thank you very much. On behalf of Motilal Oswal Securities that concludes this conference. Thank you for joining us ladies and gentlemen you may now disconnect your lines.