

Crompton

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Date: November 1, 2022

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.
BSE Scrip Code: 539876	NSE Symbol: CROMPTON
ISIN: INE299U01018	ISIN: INE299U01018
Our Reference: 105/2022-23	Our Reference: 105/2022-23

Dear Sir/Madam,

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

With reference to our earlier intimation regarding the Earnings Call on the Unaudited financial results for the quarter and half year ended September 30, 2022 held on October 27, 2022 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

KALEESWARAN Digitally signed by
KALEESWARAN ARUNACHALAM
ARUNACHALAM Date: 2022.11.01 16:33:48
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Kaleeswaran Arunachalam
Chief Financial Officer



**“Crompton Greaves Consumer Electricals Limited
Q2 FY2023 Earnings Conference Call”**

October 27, 2022

MODERATOR: MR. ANIRUDDHA JOSHI - ICICI SECURITIES LTD

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

**MR. RANGARAJAN R. SRIRAM – MANAGING DIRECTOR
– BUTTERFLY GANDHIMATHI APPLIANCES LIMITED**

**MR. KALEESWARAN ARUNACHALAM – CHIEF
FINANCIAL OFFICER – CROMPTON GREAVES
CONSUMER ELECTRICALS LIMITED**

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

Moderator: Good morning, ladies and gentlemen, and welcome to the Q2 FY '23 Earnings Conference Call of Crompton Greaves Consumer Electricals Limited hosted by ICICI Securities 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 star then zero on your touchtone phone. Please note this call has been recorded.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you, and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Michelle. On behalf of ICICI Securities, we welcome you all to Q2 FY '23 Results Conference Call of Crompton Greaves Consumer Electricals. We have with us Senior Management represented by Mr. Shantanu Khosla, Managing Director, Mr. Rangarajan Sriram, Managing Director of Butterfly Gandhimathi Appliances Limited, Mr. Kaleeswaran Arunachalam, CFO, and Mr. Yeshwant Rege, Vice President, Strategy and Financial Planning.

Now I hand over the call to the management for initial comments, and then we will open the floor for question-and-answer-session. Thanks and over to you, sir.

Shantanu Khosla: Thank you, Aniruddha. Good morning, everyone, and I wish you all and your families a very-very Happy Diwali. We have today out here, myself first Shantanu and Yeshwant, but I'd also like to introduce Mr. Kaleeswaran, who is our new CFO, who came in about three months ago, after an extremely successful stint in Eicher.

We also have joining the call today Sriram who, as most of you would be aware, used to run the Fans business in Crompton, and is now assigned as Managing Director of Butterfly Gandhimathi. Unfortunately, Matthew could not join us today because he's traveling overseas.

Getting right into it and talking about the overall performance. The one context I would like to provide before I talk the specific numbers is, given all the variations in the base period because of COVID, high levels in the previous base quarter due to the COVID, post-COVID, pre-buying, etc., we do think that it is important as you look at the results, you look in the context of both, the overall Half 1 performance and also a more longer-term 3-year CAGR as we try and assess the performance given the variations in the base period.

Moving on. The consolidated quarter 2 revenue for the group grew 23%, representing a 3-year CAGR of 17%. Stand-alone revenue for Crompton declined by 3.8%. However, this represented a 3-year CAGR of 7% to 8%. Stand-alone Crompton business grew a healthy 21% in half 1 of this year.

ECD revenue contribution is in excess of INR 1,000 crores, it is INR 1,062 crores. Fans business did decline for the quarter. However, as I mentioned earlier, if you look at it from a slightly longer perspective, the 3-year CAGR for the Fans business over this quarter was a healthy 10%.

As you are aware, given seasonality and very high inflation, our Pumps business has been challenging for the last few quarters. However, we are starting to see initial signs of green shoots of recovery there, especially this quarter in the specialty pumps business, which grew by 20%.

The Appliance segment continued, albeit of a small base to really have consistent strong growth. And even in this quarter, with the high base last year, delivered a growth of 12%. More importantly, it had a 3-year CAGR of 27%. This has been driven by a continuous program, which is now stretching over a couple of years of portfolio refresh and addition of new product categories.

Mixer grinder, where we are now putting in a number of new products and strong marketing support, grew by 15% across the quarter. And Geysers, it is really a landmark crossing 400,000 geyser units, which we sold this quarter.

Lighting revenue was INR 269 crores. This business has continued to be a challenge due to the rapid decline of the conventional lighting business, which declined by 35%. For the quarter, the B2C LED business was essentially flat. Competitive intensity of this business has also been extremely high.

On a rolling 12-month basis, we continue to improve our market share and improved it by 5% at premium Fans, whereas on an overall basis, it has moved up marginally. Over the last two years, we are the only company that has consistently gained retail offtake market share quarter-on-quarter, both in the premium category and the overall fans categories.

Moving on to a few comments about margins and profitability. Very encouragingly for us, in spite of the high inflation and the relatively challenging macroeconomic situation, this quarter we have essentially recovered our material margins and our gross margins. In fact, our material margins at 31.3% are very close to our all-time high material margins of 32%, which we delivered last year in the same quarter. This has been a reflection of the continuous strategic work, which we have been doing on cost reduction and efficiencies. Also of course, including the price increases that have been passed on in the past 18 or so months to handle the extremely high inflation.

Mix and product mix improvement as has consistently been the case, has also been a key here for continuing to help us maintain in these extremely challenging situations, material margins and continue to outperform the industry in this area. EBIT margins, however, while steady versus the previous quarters and also continuing to be best-in-class across the industry have declined versus same quarter previous year.

There are really two reasons for this. One is last year, in this quarter, we had a record high EBIT margin as we came out of the COVID pandemic of 15.5%. Secondly, more importantly, we have continued, in spite of the challenging situation, our long-term strategic investments in building our organization, our capabilities and our brands. This investment, we believe, is right. It's right to make and will continue to pay dividends as inflation settles down and volume growth comes back in the marketplace.

These are investments which we have made in advertising and promotions in our entire new R&D innovation center, in the introduction of our new business at the premium end of large kitchen appliances, in alternative channels, rural, e-com, etc., which are continuing to show robust growth and our program of building manufacturing excellence.

Our focus on our long-term programs continues, and we believe these have remained the right areas to focus on. As we talked before, these are the brand excellence. In Q2 specifically, we kicked off our in-store retail transformation project to improve overall consumer experience and Crompton brand experience in stores. We have invested resources to create awareness and garner extensive coverage for our new built-in kitchen segment. Also, we are fully leveraging our Saathi Influencer Loyalty Program to drive plumber registrations. We have also collaborated with well-known influencers on YouTube to communicate the product benefits.

Television remains a critical investment area for us. In fact, over this last period, we have launched and have invested in a new advertisement for mixer grinders, called The Secret of Fine Taste, which we believe is one of the key drivers behind the continued mixer grinder growth.

Second, of course, is portfolio excellence. We have continued to invest in developing products driven by consumer insights and future technology, ensuring superior quality and performance. Our investments in R&D have contributed to our increasing market share. We are investing in processes, people and automated equipment to improve new product development. In this quarter, we have strengthened our BLDC Fans range, introduced a new range of mixer grinders and water heaters and a new category of rice cookers and toasters.

Go-to-market excellence remains a sustained focus area, driven by efforts on people and process capability, especially on automated channels, which grew by 26% versus last year, driven by reach improvement and leveraging technology for improved productivity. CSD and rural channel led the growth quarter-on-quarter with a 45% growth versus year ago.

Briefly on our new segment entry on large appliances, this continues to track very much as per our plans. We have opened close to 300 counters. Our average sales per store is significantly ahead of our going-in objectives. We have also designed and introduced 22 dedicated signature studios where consumers can experience the full range and the benefits of our premium appliances.

Moving on, just to briefly update on Butterfly. First is, as most of you are probably aware, we sold 6% of our stake in Butterfly through an Offer For Sale route. Earlier, we had held 81% stake in Butterfly as of August '22, out of this, 55% of the shares were purchased from a share purchase agreement in March, and we acquired the balance 26% through an open offer on June '22.

Pursuant to the minimum public shareholding compliance, we sold 6% stake through an Offer For Sales route and completed a transaction in September '22. Our current shareholding of Crompton is above 75%. The erstwhile promoters of Butterfly Gandhimathi has sought reclassifications from promoter and promoter group to public category.

Briefly on the performance of Butterfly in the past quarter, the Board of Directors of Butterfly Gandhimathi approved the results for the quarter ending 30th September. As for the results published, Q2 sales down by 5%, but growing at a robust growth of 20% in half 1 versus last year, maintaining its strong position in especially the e-commerce segment.

As part of our long-term strategy, the company is driving a change in the channel mix in favor of retail versus online. While online continues to be the important and growing channel, historically, the Butterfly business has been overly skewed to online. This has actually resulted in significant growth coming even this quarter in the offline channel, while we continue to maintain our leadership position in the online channel and also as pricing, therefore, becomes more stable and consistent across channels, an improvement in the gross margin by 60 basis points versus Q2 last year. This renewed approach had delivered double-digit growth in retail during the quarter across all three categories- the mixer, stoves, and pressure cookers.

Going ahead, we have a strong focus on new product launches, driven by innovative products behind meaningful consumer advantages, reach expansion and adding and driving programs with regional chain stores. The business clocked revenue of INR 368 crores, gross margin stood at 29.8% and EBIT margin stood at 11.2%.

Briefly on working capital, in Q2 consolidated net working capital increased by INR 120 crores versus March '22 levels. This however, was essentially due to reduced trade creditors. Our inventory and our debtor days continue to be on track and on target. We took a conscious choice given the uncertainty in the market, the upcoming Diwali season, and the challenges that some of our vendor partners are facing in the inflatory environment to help our vendors over this period and has resulted temporarily in this increase in working capital.

Consolidated cash and cash equivalents stands at INR 1,080 crores for the period ended 30th September, this includes INR 161 crores received out of the OFS of 6% stake in Butterfly. While there is still uncertainty as we look at the future, and there is still a certain amount of uncertainty as to when exactly volume growth will begin to recover, we feel confident that we are very well poised with our material margins well in control, commodity inflation have been currently leveled off and our continued investment behind the fundamentals, behind both the Butterfly brand and the Crompton brand, to drive our share and topline as we look forward. With that, I'd like to just stop and pass on to any questions that you may have.

Moderator: The first question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: My first question is on Butterfly. If you can help us understand, last quarter, we had taken some price corrections as well, but looking ahead in this quarter, when we saw gross margins are broadly flattish on a sequential basis. So if you can help us understand how do we look at the gross margin improvement going ahead in line with pricing changes and portfolio mix change? And also an update on how has been the broad revenue mix across the end channels?

Shantanu Khosla: Let me take the first one in terms of how we are thinking of margins in Butterfly, and then I'll pass it over to Sriram to talk to your second part, which is how we are looking at revenue mix

across channels. See, on the first part, Renu, we have had already, in our first couple of quarters a significant improvement from the traditional levels at the EBITDA level, which is from 8%, now being at about 11% for the last two quarters. We do believe that we are now confident about the base level of EBITDA margins being at 10%, and now we will continue to work over time and see how much closer we can get to best-in-class.

Our approach is really to continue, just like we have done in Crompton to drive costs that become more efficient. However, at the current gross margin level, we believe this is a going gross margin level. So, the savings we get in costs will largely be reinvested in investments to drive market share, topline and innovation as opposed to looking at further increasing the gross margin. So cost savings will be generated, we are already seeing good initial progress on that, but that will be used to invest in the business. And as we build this overall scale and share with those investments, we believe that over time, this would also lead to a directional improvement in EBITDA margins.

Rangarajan Sriram:

In terms of online and e-comm, I mean, e-comm and the retail channel contributed close to 85% till last year, especially Q2 being a seasonal period and online, it is slightly dominant. So in this particular quarter, we now try to strengthen the retail channel with improving mix of new products, adding more chain stores and adding retail outlets. We see a shift in retail going up, specifically in this particular quarter in Q2 compared to the last year. So I would say that the retail is now slightly becoming dominant in our revenue contribution out of the 85%.

Shantanu Khosla:

Renu, the only thing I'd add to that is that, as you look at the business, historically, if you go in the past for the second quarter, online sales used to contribute about 40%-45% of Butterfly revenue. Now, as compared to this industry revenue was only about 25%. So if you look historically what was happening, all the growth was being driven by online and in fact, over the previous 12 months, offline actually declined.

What has happened now in this particular quarter, as we brought more price stability into the market, what we have seen is that the online contribution has come down from about 45% to 35%, still significantly higher than industry, but the offline channel, which was roughly declining in the past period at about 8% has now started delivering double-digit growth.

Renu Baid:

So then coming on Crompton, I have two questions. First, your comments on the market share in Fans did mention that while there were shared gains on a TTM basis, they were marginally higher. Now this if we compare until the previous quarter, we were having almost a 1 percentage plus point shared gains. So have we seen that because of the interim phase of transition to BLDC, some of the newer players with BLDC portfolio have become aggressive and some off-seasonal share of the market share or incremental shares that were witnessed were there in the market? That's first on Crompton.

Shantanu Khosla:

Not really. The dynamic which has happened a little is, while we are continuing to grow share at the premium end, we are seeing that there is a certain leveling off at the lower end of the marketplace. So it is not that the slowing down of share growth is linked to losing share at the premium end of the market.

Renu Baid: And lastly, when we look at the overall margin profile in the ECDs and Fan segment, they seem to have obviously come up from the previous highs, but even compared to normalized EBIT levels of 18%, 19%, they seem to be lower. So how should we read this in terms of the investments, which have been committed for the new large appliances and the core profitability of the fans and the appliances portfolio for us?

Shantanu Khosla: The way you should look at it moving forward is, the difference in the margins versus historical, is really at a below gross margin level, like I mentioned. We have recovered it at a gross margin level, and it is because we have continued to make the investments. Now as we move forward, we do believe inflation will begin to settle down and growths in terms of real volume growths will come back, if not this quarter then the quarter after that. As that happens, automatically, the bottom line margins we expect to come back to historical levels.

Moderator: The next question is from the line of Siddharth from Nomura Holdings. Please go ahead.

Siddhartha Bera: Sir, my question is on the near term festive demand. As in Q2, we have seen an impact on the ECD side from both destocking as well as weak growth. Any sense you can give us on how the festive has gone? And in the second half, do you expect some recovery on the revenue side for the ECD or it may take longer for us to see that book coming back?

Shantanu Khosla: Two things, I'll just separate my response into two separate parts, because our ECD business is really never been festival seasonal business. That has been more driven by seasonality and summer seasonality. So let me respond to the festival question because a better way to look at the festival question is really to look at how the Butterfly business trends, because the Butterfly business is definitely a Diwali seasonality business, as you can look at from the past trends.

Now as we look at the Butterfly business right now, as we are moving in through the early days of this Diwali period in October, we are definitely seeing a positive trend for Butterfly in terms of secondary sales, a product moving out from offline stores into the hands of the consumers, which looks encouraging.

On the flip side, we do see that given the temporary COVID spikes, which happened in online in the past, relative to the past, online is not at that spike level. It is continuing to grow, but not spiking like it has done. So it's not at historical levels. So we see festival demand coming in for that business and coming in reasonably okay, with the improvements month-on-month.

Now when you come to ECD, which as you are aware, a lot of our business is fans. On fans, again, as you folks are probably aware, we are going through over the end of this quarter through a BEE transition. Now to clarify, our understanding of the requirements is that we can manufacture and sell till December 31st. Trade can continue to sell any stock it happens to have on hand, which they bought or was produced prior to December 31st.

Now as we get into this transition, we do expect there to be potentially some uncertainty in the trade, as we have seen in other regulatory transformations. On the flip side, again, as you are aware, at various levels, when the BEE products start coming in, there will be a price increase

from January 1 across the board. This may create for some traders an opportunity, they believe to stock up. So it is kind of a put and call which we have to watch closely as we move through the transition.

As we then move into the summer season, currently looking forward, it is very difficult to predict. By then, inflation hopefully would have settled down and volumes will be back to normal and then you build the volume growth on top of the pricing growth. I am sorry for that long answer, but with all the ups and downs in the past, it is a little complicated.

Siddhartha Bera: But would you have any clarity about how much will be the price input required for the BEE Rated Fan, or it's still early? And the second part of the question is on the premium kitchen appliances rollout, which we have been seeing, can you share some color on the traction in terms of inquiries and order books, which you are getting from these stores, just to understand how should we build the ramp up? I understand over the longer term you have a 10% market share target, but just some near term color on how the scale-up will be?

Shantanu Khosla: Let me start with the second question. Like I mentioned, our ready to launch plan is always focused on top 10 cities. We stay focused right now on the top 10 cities. We are very close to having hit our distribution and store goals. Remember, these are premium stores, etc., and in the premium product.

As I mentioned, our hybrid sales to stores is significantly higher than what we had planned. We have also begun talking to consumers who have purchased our product. Obviously, it is very early days, but some consumers have bought and we are going to talk to them. And the feedback we are getting from them in terms of our products and our innovation is very positive. So the anecdotal feedback right now is all positive. We expect this ramp-up to just gradually keep continuing. Our marketing programs to create demand have only really kicked in towards the back half of September.

Siddhartha Bera: Sir, on the price increase required for the BEE Rated Fans?

Shantanu Khosla: Yes. Of course, we worked it out, in fact we are in the middle of transition and ordering. Roughly about 60% of our business needs to be converted. About 40% of our business is either already converted and compliant or the regulations don't require anything different to be done. It looks like it is going to be in the range of, call it, around 8% on an average versus 8%- 9%. So this could vary and will vary by different segments.

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

Keyur Pandya: The question is regarding, so first, I think you well described the uncertainty on the refined portfolio. So what has been the demand situation ex-fan in ECD segment, namely other appliances, pumps, and the upcoming season of water heaters? It is first. And second is lighting. If you can just break up how lighting is doing into various segments? And what steps are we taking to turn around the slowing core part of the portfolio in the lighting?

Shantanu Khosla:

First, let me talk about what we call the appliance business, in our non-fans. Now the appliance business really consists of three sub segments- geysers, coolers, and kitchen appliances of either styles. Firstly, if you look at the simple numbers. Either by each independent segment or a totality adding them up, that is also very strong. The quarterly growth for small appliances was 12% in spite of the high base period, and the CAGR was, I think, about 26%. So the numbers are strong, and this is kind of consistent across all three segments. Now that being said, obviously, coolers is very small in this quarter, because it is really summer. So the growths are very high.

Geysers, the growths are high, but we are just really going into the season. So the real performance of geysers for the year will come in the quarter 3. So we are actually in this quarter, the most encouraged by the growth we are getting on mixer grinders and other small kitchen appliances, where this is actually the big period of sales. And that has been our investment focus largely in terms of introduction of new products.

We have had a couple of new items in the mixer range. We innovated on the iron. We brought some rice cooker range, etc. And importantly, for the first time ever, we are bringing in advertising support behind this idea of The Secret of cooking is in the fine grinding. And that's helping to really drive our mixers. So the mixers, we feel positive, and we actually believe though we are coming off a small base, we are performing better in terms of growth than most other competition, the numbers at least we have seen over this period in this segment.

Pumps, like I said, has been a challenge over the last 18 months, as you have seen in totality, part of it is because, obviously, because the season, the monsoon, this affects pumps, but part of it is also because of the fact that pumps is probably a more price-sensitive segment for us. And as we take pricing on inflation is what challenged the most, and we see that as we look at various other pump only competitors in terms of their business. However, as we are focusing on certain segments, like in this case, the submersible segments as opposed to the normal residential segment, we are seeing strong growth there.

So again, we are hopeful with some innovations we have done on pumps, specifically in terms of developing a range of products that provides greater reliability, by modifying the nature of our winding. So you get less pump jams, which is a key reason for failure and consumer concerns. As we start moving into the season, we should have start seeing stronger performance on pumps.

Lighting, it's not a new story and it's not a new plan. If I look at B2C, one of the challenges we have, obviously, is that we had a meaningful size conventional business. And this conventional business is declining rapidly. Like in this quarter, that declined 35%. So that is a drag. On this drag, obviously, we don't have any plans. This is going to die. It is now about 10%, about 8%, 9% of the business still, but it is come down from a 15% to 20% over the last 18 months.

On the LED, which is the focus, as I mentioned before, out of the three segments of bulbs, battens and panels, we are the most underdeveloped on panels. And, for the last six months, we have been bringing in stronger innovation and investment programs behind building the panels,

and we are seeing the panels respond in terms of market share. And a lot of our growth is coming from the panels. Now this is very good because that is where the market is moving in the future, it is also the highest revenue part of the market, it is also the highest margin part of the market.

In fact, if you look at it right now, we have about a 9%-10% share in bulbs, a 9%-10% share in battens, we started these six, eight months ago at about a 4% share in panels that has already moved to 6% share in panels. As step one, we need to get that also up to the 9%-10%, which we are in the other segments. And the way we will do that is innovation, invest in advertising and invest in driving quality distribution.

Moderator: Thank you. The next question is from the line of Achal from JM Financial. Please go ahead.

Achalkumar Lohade: One is with respect to the lighting business. You just elaborated on that. Can you help us understand, earlier we did talk that the project business was driving growth earlier? So can you help us, what was the mix in terms of this project and the retail or non-project business in this quarter and, say, two years ago? And B, in terms of the conventional business, while other companies are already down to some 5%, what is driving this slower decline in case of conventional business given the cost reductions in the LED, we have seen until in the last four, five years?

Yeshwant Rege: First part of your question was on the project. I think you referred more to EESL. So now obviously, EESL business has tapered down to zero levels. And two years back, this business used to be approximately 10% of our overall Lighting business. And so that is now going out even out of the base, which is year-on-year slowly. So in coming quarters, we will obviously not have EESL in the base as well.

Second part of your question was on conventional. So yes, it has been steadily declining. This business as we mentioned earlier, used to be in salience of slow double digit. It is now at about 8% of our total Lighting business. Obviously, bulk of it is incandescent bulbs, which in terms of the economics, do not getting replaced by LED bulb and with respect to voltage levels in different parts of the country. And there are some in terms of the B2B side, where specifications are for the conventional product, which will also gradually move away. So I think it is only a matter of next few quarters, but we are not far away from that 5%, 6%. We are at 8% now of conventional business.

Shantanu Khosla: We are doing and we have been doing nothing for quite some time in terms of trying to drive conventional.

Achalkumar Lohade: And just one more question I had was with respect to the cost reduction. What is the extent of cost reduction? And how much price reduction, effective price reductions from schemes discounts till now is passed on? I mean, when I say till now, it is still till today, so to say, is it 3%, 4%, 5%? Have you seen the prices getting passed on?

Shantanu Khosla: We have continued to drive cost reduction, as we always do with the same objective of generating about 0.5% odd savings every year, and then deploy the savings in whatever is the

best way for the business. We have not done any significant rollback of price. We took price up to cover for the inflation. Obviously, the pricing was less than the inflation because the balance was covered by cost reduction. In this current quarter, we did a little bit, to stay competitive in some SKUs in some areas, we did some tactical temporary price reductions, but there was no significant price rollback. Those temporary price reductions were, call it, 1.5 to 2 points, but they were purely temporary, there purely tactical, they will purely there to ensure that competition does not get ahead of us in any area.

We have not seen a situation right now because after all commodity prices have not really comes down to anywhere near where they were. The better way to think about it is they have stabilized. So we don't see any price increases in the future. But unless, except a cost for the BEE driven changes. But unless there is some new significant trend in commodities, which, frankly, to be honest, we are not forecasting in the immediate few quarters, we don't see any fundamental rollbacks in pricing.

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

Bhavin Vithlani: A couple of questions. First is on the data point. Could you help us with the growth rate in this quarter as well as first half for fans, pumps? Second is when we look at the related party section, the top management compensation has seen a significant increase. And it is now almost 30% of total employee and 20% of the EBITDA. When we look at your peers, I mean, our revenues in the conventional business, which is like-for-like is down versus high teens growth for others. So if you could just help us what explains the increase in the compensation for top management? These are my two questions.

Shantanu Khosla: I am not sure I got your second question because there has been no significant change. That is a related party. So what is happening to Butterfly related party and executive compensation there?

Bhavin Vithlani: No, this is pertaining to the compensation for MD and CEO and CFO.

Shantanu Khosla: We can check, but here what I think it is.— Let me take me, for example. It is probably the same story for Matthew and Sandeep. I exercised a certain amount of my options in the previous period. Because some of them were going to lapse. Now, in the period when you exercise your options, the gain I get as an individual is added to my compensation.

So it shows up at my compensation and obviously, then I have to pay the income tax on it, etc.. But that is my personal compensation and personal tax. As far as the company goes, the company is charging off and has been charging off every quarter for the last seven years, the cost of an ESOP program. So there is no incremental cost to the company. This, let me call it, seven years of built-up compensation, I just happen to be taking by exercising right now. My ESOPs, so in my personal compensation, which is also obviously reported as every compensation, that shows up. So that is why the reason it has got no impact on the company's P&L.

If I had happened to exercise my option in uniform buckets every year, then this compensation would have got split up over seven years. I believe, that is the only thing that we could be talking about, but you can have a separate conversation after this with Yeshwant to confirm.

Yeshwant Rege: So as far as H1 is concerned, fan growth was 22%. Pumps were about 16%, appliances around 38%-39%. ECD is 23%, lighting is 21% and overall Crompton is 23%, H1.

Bhavin Vithlani,: Sir quarter, please?

Yeshwant Rege: Quarter, obviously Fans declined mid-single digit, pumps were flattish, Appliances, we already called out 12% and LED lighting is flat and conventional lighting has declined 35%. So combined is about minus 6%.

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

Sonali Salgaonkar: I have two questions. First question directed to Mr. Sriram. Could you help us understand qualitatively what are the synergies and what are the steps that we are taking for integrating Butterfly with Crompton in terms of revenue synergies, cost synergies as well as in-house production versus outsourcing? And my second question is if you could help us understand the segment-wise market share across the key segments where we are right now and where we were about two to three years back. And within fans, we would appreciate if we could also get the market share of premium fans.

And lastly just one more, what are the cost savings for Unnati this quarter? And what is our target for full year? That's it from my side.

Shantanu Khosla: If you don't mind, the specific data questions which you asked, if after this call, you just connect with Yeshwant, he'll give it. That might be quicker, easier.

Yeshwant Rege: Sonali, I will connect offline.

Rangarajan R. Sriram: Sure, on the synergy part, just to remind you, it's just the second quarter that we passed and then our objective first is just to make sure we had a smooth transition and then run the business so that there is a stability in the organization. But in the period, we also chart out the plan and then how are we actually going to integrate and using what the components, variants, etc. But what we have done in the last two quarters is wherever that we see an immediate opportunity in terms of, say, procurement, we actually started getting help of Crompton in terms of synergizing for buying raw material and commodity procurement.

And even in Design wherever that help is required in innovation, we have started utilizing. As of now, it is more from a back-end point of view, just to strengthen the entire Butterfly organization that we are now working with, the Butterfly and then use their capabilities.

In the meantime, we also built the capabilities within Butterfly system as well, because previously, in the promoters' era, it used to be all the promoters who used to handle it. Now each of the functions are also being identified and then capability has already been built in so far. So that's we progress. And then going forward, we are going to work on how we are going to expand even in a go-to-market where we can use in Crompton, that's another approach which we are going to go forward in Q3 and Q4.

Sonali Salgaonkar:

And what about manufacturing?

Rangarajan Sriram:

The strength of Butterfly has been manufacturing, so far 80% of our revenue is actually on the product, which has been manufactured. Like I said, we now have a person who is managing the manufacturing within. So right now we are working with a couple of consultants to make sure to build the same kind of compliance and also the governance as well the capabilities, what we have done in company in terms of improving quality or also in terms of the productivity.

First step is just to understand where we are right now and where we are engaging. And third, we are also working on a long-term objective of how we are now working on the capacity for acquiring for a couple of years as well. So as of now, we are using the current capabilities within Butterfly.

Shantanu Khosla:

Also, last thing, we are also obviously, where there is low-hanging fruit in terms of potential synergies, we are actively exploring that. And we will take the appropriate decisions as we move forward. I mean a simple example, today, we have manufacturing capacity for mixers in the Butterfly organization. Crompton, on the other hand is getting various vendors to manufacture its mixers. So it could well be low-hanging fruit to have Butterfly be the vendor who makes Crompton mixers. So we are evaluating all these kinds of low-hanging fruit, and they are at that low-hanging fruit also, as we develop a long-term plan.

Sonali Salgaonkar:

And are we progressing well on our cross-selling initiatives for the revenue synergies?

Shantanu Khosla:

Right now, as Sriram said, we are first working much more on the organization in the back end. Because there are clear synergies there, which could be low-hanging fruit. Front-end synergies, not just cross-selling, but importantly, how do we use the combined capability of the go-to-markets of the two organizations to get greater success in Butterfly weak areas such as the North, etc. sequentially will come after that.

Sonali Salgaonkar:

And lastly on Unnati savings, please, for the quarter and for the year?

Shantanu Khosla:

Yeshwant will get you that also.

Moderator:

The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh:

Sir, first is on the Lighting side, you touched about on the competition getting more aggressive. So this is either imports or domestic, if you can give more insights onto that. And conventional

lighting as a percentage of the overall market, now what is the percentage because that market had been significantly shrinking but we are still highlighting as a percentage, maybe 10% is there for us as a business. So when do you see that reducing to 0 level?

And the next question is in terms of fans, as the rating change stabilizes, do you think that larger players like Crompton have an edge to gain further market share maybe in the economy segment? Yes. Those are the two questions from my side.

Shantanu Khosla:

Yes, let me take the second one first. As a market leader, a technology change is definitely an opportunity for us. I think as you importantly pointed out, especially in the mid and lower mid-end, because BEE is about much more than just BLDC, which tends to be, by its very nature at the premium end. So BLDC will give you the 5-star rating.

But a large percentage of the actual market will remain in 1, 2, 3 and 4 star ratings. And the ability to develop modified induction motors at an appropriate cost, which can meet those rating regulations is the critical opportunity. Because as you can imagine, x percent price increase to someone who is buying an INR 3,000 fan, is easier than the same x percent price increase to someone who is buying an INR 1,500 fan, right?

So it is clearly an opportunity for us, to both grow our business at the top end as 5-star delivered by BLDC technology becomes bigger, but also very correctly, as you pointed out, to win in the mid and the mid-low end with superior, better cost induction motors, which deliver the star rating. And that is what we have been spending a lot of time focusing on in terms of our changeover.

The conventional lighting, I think someone mentioned that in some companies, that has been 5%, for us we are not a million miles away from that. We are declining a 35% for every quarter. Whenever it will end, in my personal opinion, somewhere between around 3%, because typically, as Yeshwant rightly pointed out, the fact of the matter is that there are some people who can only afford INR 10, and they need a light immediately.

So there will always be some demand, but kind of in a consequential demand. I don't see it becoming 0 from a consumer point of view, unless for whatever reason, all manufacturers stop supplying. So in some way, I would guess it at around 3%.

Charanjit Singh:

And sir, on the LED side, you were talked about the rising competition and this had a weaner scenario earlier also, which we had seen in the lighting space. So is this that existing players itself have become aggressive? Or is it more of imports? How do we read into this?

Shantanu Khosla:

What is happening is that if you look at the three segments and its existing players. It's what we had, let me call it, three years ago, where everyone was importing and bringing in and launching. I think a lot of those players have moved out of the market. What is happening is really in the bulb segment, the market has become very commoditized, and it is really just price driven. So

that is why you are seeing all this competitiveness. The real business and the real brand building is in winning in the panel.

Moderator: Ladies and gentlemen, as that was the last question that the management could answer today, I would now like to hand the conference over to the management for closing comments.

Shantanu Khosla: Again as always, thank you very much, I hope we were able to address your needs. As always, if we could not make the time to get to all of your questions, please feel free to call us up. We are more than happy to spend time. Our objective in these calls is always to help you all better understand how we are thinking about our business, right? So thank you all very much. I wish you all the very best for a happy New Year. Thank you.

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

(This document has been edited to improve readability)

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