

Crompton

Crompton Greaves Consumer Electricals Limited

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Date: August 5, 2024

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 Earnings Call

With reference to our earlier intimations dated July 17, 2024, and July 31, 2024, regarding the Earnings Call on the Unaudited Financial Results for the quarter ended June 30, 2024, held on July 31, 2024, please find enclosed herewith the transcript of the same.

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

Thanking you,

For **Crompton Greaves Consumer Electricals Limited**

Rashmi Khandelwal
Company Secretary & Compliance Officer
ACS – 28839



**“Crompton Greaves Consumer Electricals Limited
Q1 FY25 Post Result Conference Call”**

July 31, 2024

**MANAGEMENT: MR. PROMEET GHOSH – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – CROMPTON GREAVES
CONSUMER ELECTRICALS LIMITED
MR. KALEESWARAN ARUNACHALAM – CHIEF FINANCIAL
OFFICER – CROMPTON GREAVES CONSUMER LIMITED
ELECTRICALS LIMITED
Ms. SWETHA SAGAR – CHIEF BUSINESS OFFICER –
BUTTERFLY GANDHIMATHI APPLIANCES LIMITED
MS. NATASHA KEDIA – HEAD – INVESTOR RELATIONS**

HOST ANALYST: MR. ANIRUDDHA JOSHI – ICICI SECURITIES

Aniruddha Joshi:

Thanks, and everybody, welcome to Q1 FY25 Results conference call of Crompton Greaves Consumer Limited. We have with us senior management represented by Mr. Promeet Ghosh, Managing Director and Chief Executive Officer; Mr. Kaleeswaran Arunachalam, Chief Financial Officer; Ms. Swetha Sagar, Chief Business Officer, Butterfly Gandhimathi Appliances Limited; and Ms. Natasha Kedia, Head of Investor Relations.

From ICICI Securities, we welcome you all to the quarterly conference call. Initially, we will have the discussion from the management on the quarterly performance, and then we will open the floor for questions. Thanks, and over to you sir.

Promeet Ghosh:

Good evening, everyone, and welcome to our Q1 FY25 earnings call. Firstly, thanks to ICICI Securities for hosting, and as has been said earlier, I'm joined by Kaleesh, our CFO; Swetha, who's the Chief Business Officer at Butterfly and Natasha, who looks after IR for us.

I'm pleased, as you might imagine, I assume that you have seen our investor deck as well as our press release and our numbers. I'm pleased to say, yet again we have hit our highest-ever quarterly standalone revenue at ₹1,959 crores, driven by strong ECD growth of 21% year-on-year. Across our portfolio, the growth has been broad-based. Fans grew at 16%, pumps at 30%, and appliances at 24%. Specifically, seasonal products such as our cooling products, fans and air coolers, both recorded robust growths.

Getting into each product category. In fans, we saw, like I said, broad-based growth including in the TPW category. Our ceiling fans also grew at a healthy clip. This was aided by, needless to say good tailwinds, which arose from the summer season. We also undertook consistent pricing actions to mitigate the commodity price rise that we saw show itself up particularly during the early part of last quarter, and this has helped us improve gross margins.

In pumps, both residential and agri pumps grew well, leading to a 30% YoY growth overall for the category like I noted earlier. In solar pumps, and you're aware that solar pump is an area that we've forayed into recently and continue to gain traction in that segment. We executed orders worth about ₹21 crores in the quarter that went by. And in the meanwhile, we have been building up a pretty robust and healthy pipeline of further orders in this segment. Our execution rate has also improved QoQ from about ₹28 crores in H2 to, as I said ₹21 crores in just the last quarter. We also ran multiple brand awareness programs for our new product launches in the pumps category.

Aided by an increase in summer intensity, we saw a significant step-up in our air coolers, for the last quarter. In fact, our sales for air coolers were the highest it's ever been, and the volume growth in air cooler segment last quarter was 68%. This has helped an overall revenue growth in the large domestic appliances segment of our business of about 25%.

Premium saliency of large domestic appliances also improved and was at 25.6%. Moreover, three premium models of water heaters were launched to aid the premiumisation in that segment. Dare I say that, but for some supply glitches, our sales of air coolers and a little bit of fans would have been much higher.

In small domestic appliances, we grew 20% YoY backed by a strong growth in mixer grinders. We had the highest-ever mixer grinder sales in the month of June with exclusive launches in the e-commerce platforms.

Large kitchen appliances business as you are aware, we are incubating. We garnered a revenue of about ₹14 crores. That business, as you are aware, is continuing to currently make losses at the EBITDA level, which are broadly in line with what we had done in the previous quarter. We also, as a measure of progress, which has been made in that segment, have now 100 EBOs, which are currently carrying our large kitchen appliances products. We've been working on further developing our chimney portfolio, which has been launched additionally on the e-commerce platforms as well. Needless to say, we are seeing long-term potential in this business.

The lighting revenue was broadly flat about 2% growth as I remember. And its performance is moving in the right direction. This is a product line which we, as you are aware, restructured about a year ago, and we are beginning to see some of the benefits of that. While in overall B2C category within the lighting segment, there was a degrowth. That was in part because we have entirely stopped selling conventional products now, which was a part of our portfolio in the same quarter last year. Also, of course, there continues to be pressure, price erosion in the segment. But if we take out the categories, which we have stopped selling from previous year, there is a marginal growth also in the B2C segment. Having said that, what's also interesting to note is that we are witnessing double-digit growth in both battens and ceiling lights. You will remember that particularly ceiling lights, in pursuit of further portfolio diversification as well as premiumisation. Ceiling lights has been an area that we have been quite keen to increase our revenue share in.

B2B continues to have robust growth. This has been led by street lighting and industrial segment and several large B2B projects were both secured last quarter as well as executed last quarter. I think you'll be able to see names of several of these orders, which are executed also in the press release. I'm not going to go through them again. And generally speaking, in lighting, we continue to focus on channel expansion and direct dealer appointments.

We've spoken in the past of one of the cornerstones of Crompton 2.0 being making investments towards growth in the company. Now this is especially visible in the investments that we are making in our brand. A&P spends have increased ~30% YoY and ~60% QoQ. We've launched a successful marketing campaign around #PicturePerfectFan, which I hope many of you have seen during the IPL,

which has been quite positively received and they also emphasise the superior aesthetics that many Crompton fans have.

Similarly, we've continued to focus on innovation. This has resulted in the launch of 41 new products during Q1 FY25. We also secured the filing of two innovation patents in cooling technology and kitchen appliances, respectively, last quarter.

Despite an increase in raw material prices during the quarter, our standalone material margins improved to 31.3% versus 29.4% a year ago. I'm also happy to share that we delivered a standalone EBIT margin of 14.9% excluding A&P spend, because as you've seen A&P spends have gone up very materially, particularly given that we were in season. As for comparison's sake, I'm talking to you about A&P spend, EBIT, excluding A&P spend, so that the numbers are comparable. This quarter, it was 14.9%, which was 1.6% higher YoY and 30 basis points higher QoQ, both the numbers have gone up both sequentially as well as year-on-year.

Similarly on the same lines, ECD EBIT margins, again, to make them comparable looking at them, excluding A&P spends. We've delivered 19.8% in Q1 FY25, an expansion of 2.3% YoY. Lighting EBIT margin is up at 11.3% excluding A&P spends, an expansion of 20 basis points QoQ. Now as you'll remember, in lighting, we practically did not spend any money on A&P about a year ago. This year, we've spent close to about ₹6 crores in lighting A&P. Now that's not resulting in sales this quarter yet, but we do believe this is building for the future.

We remain focused on alternate channels, which have again grown at about 30% YoY. Now alternate channels comprise 17% of Crompton sales, which is up from about 16% last year. So, on a growing portfolio, they are having an even faster growth as you can tell.

We strengthened our e-commerce channel and now are continually delivering a ₹100 crore plus revenue from this for the fourth consecutive quarter, driven, of course, by fans, large and small domestic appliances. In this quarter, e-commerce itself has grown 82%, while rural has grown 16% and modern retail has grown 22%, all of these on a YoY basis.

We are keenly watching consumer sentiments and the underlying demand scenario, which is showing some early signs of improvement. We have witnessed an intense summer in several regions of the country, which has, of course, helped the sale of our cooling products. Like I said, some of this could have been better, but for some glitches that the higher volumes had on our supply chain.

Weather patterns have been quite unusual, and while this created a spike in demand in this season, it's of course difficult to see how this pans out. Remember, that we benefit from not only warmer climate, but also cooler climates, having a substantial presence in products like heaters and water heaters, etc. So, we'll see where the patterns pan out.

You've, of course, seen raw material prices have trended upwards in Q1 FY25. To combat the pressure on gross margins, we've taken price increases practically across categories, being industry leading in that regard. We are also evaluating whether we should take further price increases, and we will take a decision on them depending on how the overall RM basket evolves. We do want to keep abreast of continuing trends in commodity prices going forward.

You are aware on the balance sheet side that we paid ₹300 crores towards NCDs that we had taken on for the acquisition of Butterfly. We still have ₹300 crores of debt left from that acquisition. Having said that, we continue to generate strong cash in our portfolio and are today a net cash positive company. We are committed to generating not only strong future cash flows, which is an outstanding element of our business model as all of you are aware, but we will use this in line with our clear capital allocation priorities, including sustaining a strong dividend, reducing our debt leverage and investing in the right operational priorities in the business to navigate what is a dynamic environment and deliver sustained shareholder returns.

Moving on to Butterfly, over the last couple of quarters, we have taken several initiatives to strengthen the fundamentals of that business, including actions on price, product laddering, streamlining processes, especially in the online channel, optimising schemes as well as A&P spends. We have been selective with how we've promoted, pull back promotions that were not value creating, and we did so while maintaining our market positions. With the transition underway, retail continued its strong growth momentum, and we witnessed a sequential growth in revenue wherein key categories performed well.

Impact to the budget. Under the recently introduced union budget, the announcement of 3 crore additional houses in rural and urban regions is positive for durable products like ours. Similarly, the focus on renewable energy, especially solar with the exemption of duties on key components, the focus that the government has on various solar products, the change in slab rates under the new regime, which will result in tax savings depending on income levels, and overall, ₹11.11 trillion to be spent on infrastructure, augur well for consumer demand in general and our industry in specific sustainability.

I'm very pleased to share that Crompton is one of the only two Indian companies, which is a constituent of the top 10 MSCI Emerging Markets Small Cap SRI ESG Universal Select Index. That's a very long name, which I almost didn't get passed. I'm going to congratulate myself also for being able to speak of that long sentence. But yes, this is the MSCI ESG index, and we are one of the only two Indian companies in the top 10 of that index.

Sustainability is at heart of what we are trying to do with the company. I should mention that we have started a wholesale assessment of our product carbon footprint across various categories through Scope 1, 2 and eventually Scope 3. While it still early days in terms of our sustainability initiatives.

We remain acutely focused on building sustainability as a key differentiator for this organisation going forward.

Conclusion, as you can probably see, we are delighted that Crompton 2.0 strategy, which we unveiled about a year and a few months ago, is helping us deliver consistently superior results with the highest ever quarterly standalone revenue here again. Double-digit revenue growth for the first consecutive quarter and strong EBIT margins. With this, we are exiting the first quarter of this financial year on strong footing. We continue to expect meaningful progress during the remainder of the year.

Thank you for your patience listening. With that, we're open to questions.

Aniruddha Joshi:

Thank you, sir. So, now we will open the floor for question-and-answers. If you are having any question, please raise the hand. First, we have a question from Mr. Siddhartha Bera. Please state your organisation and go ahead with your question. Thanks.

Siddhartha Bera:

Sir, my first question is on the ECD segment, if you can just highlight on the fan side, what has been the volume and price increase which you have taken, and you also indicated that you have taken a couple of price actions. So how much of it have you taken and is it enough to sort of offset the commodity cost inflation we've seen.

Kaleeswaran Arunachalam: Overall, from a Q1 perspective, the price increase that we have taken in fans is about 1.5% and that has been taken around mid-May. And in terms of future price increases and whether it offsets the commodity costs, etc. As you would know, there are three levers that we work upon to ensure that our margin model is sustainable. There is a cost programme that is well established now under Unnati. We're trying to see what levers are available, including value-add, value engineering, technical and commercial lever to see how we optimise our cost across all the areas that we work upon.

Second, premiumisation is a critical focus area for us across the product categories that we operate at let it be fans, lights, etc which can help us in yielding better mix and better margins. And even after that, if we believe that as to the margin models is not in line with the unit economics that we want to deliver, we would go for price increases. And you have seen this as a pattern, this is not the first time that we've done a price increase, this was the fourth quarter consecutively where we have taken price increases.

Now as and far as price increases for future is concerned, it's an outcome of many factors. We need to see how the commodity basket moves. We have seen increase in copper prices, in aluminium and ABS, while copper, we have seen a little bit of cooling down in the recent past, but we do expect the trends in future to move northwards. So that would decide plus there are regulatory headwinds that will always be in this business, will determine how much of price increase that we need to do as we move forward.

Now within fans as a category is concerned, there has been a very strong volume growth, mix and the price is limited. It's largely a volume-led growth that we are seeing for Q1FY25.

Siddhartha Bera: Just to clarify, since in the last couple of quarters, we may have taken nearly 4-5% cumulative price increases till date. So does it mean that our volume growth will be closer to 15%. So that is what I was looking at on a YoY basis?

Kaleeswaran Arunachalam: Yes, around that, in terms of what we have delivered on a YoY basis on fans.

Siddhartha Bera: Got it. And in terms of margins, with this price hike, which we have taken and in terms of the outlook. Do you think with probably the advertisement expenses normalising in the rest of the year, we do have tailwinds for further expansion from current levels?

Kaleeswaran Arunachalam: Siddharth, as you would know, we don't provide forward guidance on what our margin model is going to be. I would like to only reiterate our going strategy with Crompton 2.0, where we clearly said that we have oriented the organisation towards a growth-focused business. And that means that we have to invest behind brand, people, and innovation which we'd continue to do. Even if you look at Q1 FY25 compared to last year Q1 FY24, our marketing spends have gone up by 20 bps, higher in percentage terms and significantly up almost close to 30% YoY basis. And there would also be differentiated consumer-oriented innovation that we want to bring into the market, which will also help us to gain market share and grow sustainability as we look forward. So overall, our ambition continues to grow in double-digit for the portfolio as a whole and expand our profits better than the revenue growth.

Siddhartha Bera: Got it. The last question is on the solar pump side. We did ₹21 crores in the quarter. What will be our order book, which we will execute over the remaining part of the year?

Kaleeswaran Arunachalam: We don't disclose the order book, Siddharth, but that is a healthy pipeline that is being built.

Siddhartha Bera: Okay. Thanks. I'll come back in the queue.

Promeet Ghosh: Guys if you don't mind who ever speaking next let's try and keep the questions to one question, so that we have as many people as possible that we are able to accommodate. We are quite happy to comeback and give the same people who've asked questions give another short if they believe they have further queries.

Aniruddha Joshi: Yeah, thanks sir. Next, we have a question from Aditya Bhartia. Please state your company name and go ahead with the question.

Aditya Bhartia: Hi, good evening. My question is on new product launches, wherein as part of Crompton 2.0 strategy, you've spoken about introducing two or three new product categories. So just want to understand how

we're thinking around that and when you speak about two, three new product categories, are these completely independent product categories into a product category that we are not into? Or is it an extension of existing categories like doing solar pumps in addition to the conventional pumps that we were doing? So just on that front. Thanks.

Promeet Ghosh:

Maybe I'll answer that question, Kalees. The categories that we would enter would be needless to say have adjacencies with what we are currently in. So, we would look to leverage the various strengths that the organisation has whether in some cases, the brand; in other cases, the go-to-market; and third the innovation capability that we have. So it is likely that they are areas that we have a right to win in, not likely, it is definitely an area in which we believe, a right to win. We are unlikely to enter category simply for the sake of entering those categories.

As I've said in the past, our objective in new category entries has and continues to be a significant player in that category over a discernible period of time. We have entered, as you are aware, I mean, you could just have to look at what we've done in the recent past to tell you how we are thinking about it. We've entered geysers and air coolers, and we have a leadership position amongst one of the few top three players in those categories. We have also now in the Kitchen Appliances business, become a significant player in that category as well. So yeah, that should give you a sense of how we will choose the categories that we enter into.

Aditya Bhartia:

Sure, that's helpful. And is that something that you are thinking from a near-term perspective? Or is it about first extracting growth from existing categories and then thinking of it from a slightly longer-term, maybe a three- or four-year perspective?

Promeet Ghosh:

Tough to say, Aditya. To give a timeline of that. Needless to say, there's a bunch of things that keep happening in the evaluations and strategies that keep getting looked at.

Kaleeswaran Arunachalam: In fact, all we would say is that certain things are close to critical business strategies, and you guys would know that first as we move forward closer to hitting the ground, and at this point of time, we will talk about what have we done in Q1FY25 and how we're looking at it.

Aditya Bhartia:

Perfect. That's helpful. Thank you so much.

Aniruddha Joshi:

Thank you. Next in line we have a question from Mr. Praveen Sahay. Please unmute your line and go ahead with your question.

Praveen Sahay:

Thank you for the opportunity. My question is related to the small domestic appliances. In the last couple of quarters, even the last year, if I look at had grown healthy, like 39% and again, in this quarter 20% of growth. So, can you give some more colour on where the growth is coming from? Is it a product portfolio expansion or the channel mix, which is playing out for you? Would be helpful if you can give some more colour on that from where the growth is coming in.

Promeet Ghosh: Broadly, the growth is coming from a mix of increasing market share, firstly. We are still relatively small in this business compared to the size and strengths of Crompton. So, it's coming from there. It is pretty broad-based. I mean, there are probably two areas that we are in - Mixers and Garment Care, and both of them are growing quite decently for us. It's also relatively broad-based across regions, I mean there are differences in the rate of growth in between the regions, but relatively broad-based. We've also seen in this category, we've had a relatively low salience of e-commerce, and this is a segment in which e-commerce for the broader market is, of course, much higher than we have in SDA. And that is also translating into a pretty good growth for us. So, I'd say this is the broad source. As far as Mixers are concerned, we have come out with newer products. We have actually come up with higher wattage Mixers, which is currently helping very little because it's a new product introduction, but we do believe that it will continue to drive growth.

Praveen Sahay: And is premiumisation also a part of that?

Promeet Ghosh: In this business, premiumisation, as you can tell will come from the higher wattage Mixers, which is what I told you just now. It also comes from a higher grade of irons. It comes from gravitating towards steam irons from regular dry irons. So that is also continuing at a pace. In fact, we strengthened our steam iron portfolio last quarter.

Praveen Sahay: Thank you.

Aniruddha Joshi: Thanks. Next, we have a question from Hardik Rawat. Please state your company name and go ahead with your question.

Hardik Rawat: Hi, gentlemen and ladies. This is Hardik Rawat from IIFL Securities. I had one question which was with regards to Butterfly Gandhimathi. We were expecting a turnaround in its performance only in the second quarter of the current fiscal, but it seems like it has turned around earlier than our expectations and guidance. So, wanted to understand what has driven this firstly? And secondly, what would be our ad spends for Butterfly Gandhimathi in the current quarter vis-a-vis the same quarter, previous year?

Kaleeswaran Arunachalam: Hardik, we continue to believe that Butterfly is a work in progress in terms of the strategy that we called out on what we need to deliver. If you look back on what we called out for Butterfly as a business, we said H1 would be a decline considering that we are working on price parity, channel optimisation and getting more importantly, the fundamentals right at business. Swetha and team was first working to get that corrected. And as we get that completed, we would start seeing business growing from H2 onwards. But at the same point of time, we also said we are coming off our worst, which is Q4, where we delivered a loss of ₹27 crores for the last quarter of last year. Now in Q1 FY25, sequentially, we have improved revenue and ensuring that some of the right fundamentals being established in price cadence has started to deliver a positive EBITDA for us. That is where we are.

But the work is ongoing, and our near-term focus is to get the fundamentals fixed and start growing the business from H2 onwards.

Promeet Ghosh: Also, if you recall, what we told you last quarter is that in the last quarter, there were some one-offs. So, I think we were quite transparent with you, telling you that there were some one-offs as we work to refresh the business model. So obviously, some of those also, needless to say are not there in these numbers. But it's work in progress, and there is a good trajectory that Swetha and her team are taking that business.

Hardik Rawat: Absolutely. So, going forward, can we expect that the business is largely breaking-even and the transition in the business strategy is now behind us, and it should now get back on the growth path going forward?

Promeet Ghosh: Our transition is a work in progress, so that is something that we are continuing to work hard on, particularly Swetha is working very hard on.

Hardik Rawat: And if you could give the ad spend numbers, please?

Kaleeswaran Arunachalam: I don't have a precise number. Ads spend for Butterfly, we have incurred close to about 4% in this quarter compared to about 2.5-3% in the previous quarter.

Hardik Rawat: Got it, that helps. Thank you so much.

Promeet Ghosh: Stuff like this is not going to come from simply cutting growth drivers.

Hardik Rawat: Got it. Thank you.

Aniruddha Joshi: Thank you. Next, we have a question from Natasha Jain. Please state your company name and go ahead with your question.

Natasha Jain: My name is Natasha and I'm from Nirmal Bang. My first question is on Butterfly. Now when I see your annual report for FY24, I see that your capitalisation in terms of R&D has increased very sharply from ₹4.4 million to ₹32.4 million. Now vis-a-vis even the recurring expense has decreased by 55%. So first if you can tell me what kind of cost is getting capitalised? Because optically, that might make our EBITDA margins look higher in Butterfly. On a similar note, I want to understand why are we reading pre-A&P spend margins? I mean, is not A&P a part of OpEx. So, what is the rationale to call this out separately?

Promeet Ghosh: Let me answer the second question first, here. Our EBIT margins are our EBIT margin, right? They are very much a part of operating expenses. We have called out in the past that this is an area that we

are going to focus on to strengthen the brand. And the only reason that I read out the numbers to you is so that you have a comparable number with the previous quarter. That's it.

By all means, look at whichever numbers you prefer to, it's simply for the sake of there being a comparability that I read those out.

Natasha Jain: My point of asking this was, are we by any chance also capitalising some part of this expense as well?

Promeet Ghosh: No, not at all. None whatsoever.

Kaleeswaran Arunachalam: No, not at all. I think maybe probably you have not gone through the Crompton 2.0 strategy that we called out. One of the initiatives that we very specifically called out as part of the Crompton 2.0 strategy is investing behind brand. And when we talk about this, it means that we go aggressive in ensuring that the brand gets its right due both in terms of its positioning and visibility across the categories that we operate.

So that means that on a quarterly basis, you spend significant sum of money as part of your overall business strategy. So, as you look at it, even in last quarter, we have spent almost 4.5% of our revenue as advertisement spends, incurred as an expenditure. After absorbing that on a year-on-year basis, the EBIT margin has significantly improved in Crompton business and even on standalone.

Yes, now coming into the other question of capitalisation. These are product development expenditure that you incur towards new products that you develop in businesses. This is a practice that is there across, wherever when a new product is being developed and you have a commercial value of that gets identified, you do it as a capital expenditure. Now, in Butterfly for last year, the transition happened from the promoters to Crompton, and we are standardising our accounting policies. So, this accounting entry happened in Q4 of last year rather than spreading out throughout the year. That's why you see a bump-up in Q4. As you look at Q1 onwards, this will be in every quarter, you will do whatever is the right accounting towards the product development that you do for new product categories.

Promeet Ghosh: And capitalisation, by the way, depends on the quantum of spend in that quarter. The fact that the capitalisation is higher is not necessarily related to any other matter. But what we are ensuring is that the accounting practices at Butterfly are identical to those of Crompton. Needless to say, that's one of the things that we have to do.

Kaleeswaran Arunachalam: Yes, and just to help you out a little bit more on this. You may refer to Indian Accounting Standard 38, it talks about product development capitalisation and how do we need to go about it.

Natasha Jain: Understood, that's helpful. Just one more short question. Can you tell us what is the discount as a percentage of your gross sales? Can you give that number?

Kaleeswaran Arunachalam: Sorry, we don't provide the gross-to-net split. I think the way you need to look at our business is having delivered a -net revenue growth over the previous year because that is intrinsic to our business, it includes our business margins also. So it's a competitive data, not to be disclosed in public domain. The way you have to compare is, how has our net sales performed, have we improved on our EBIT margins, have we generated cash significantly and that will ensure that your P&L, balance sheet comes in a place where you know what's the unit economics for the business.

Promeet Ghosh: And our gross-to-net as an indicator, hasn't changed particularly over the last several quarters.

Kaleeswaran Arunachalam: In other words, Natasha, just probably maybe the question that you want to know and understand is we are not in the business of discounting products to get sales. It's an important point for you to look back. When we're talking about investing behind brand, it is our ability to generate organic demand and that is the only way you can see sequentially how the EBIT margin has improved, is on the back of strong pricing action that has been taken for fourth quarter in a consecutive manner. The brand strength of Crompton is very strong. It is an 85-year-old brand. We need to ensure that it is nurtured well, and it has got a strong unit economics to get backed by. So, it is not that you do a tactical stuff of doing a price cut in one quarter and then see what would yield in next quarter. Those are not sustainable business models that you will be able to continue.

Natasha Jain: Understood. Thank you so much. I'll get back in the queue.

Aniruddha Joshi: Yeah, thank you. Kind request to participants to restrict to just one question per participant. Next, we have a question from Mr. Rishabh Gang. Please go ahead with your question stating your company name.

Rishabh Gang: Yeah, I'm Rishabh Gang from Sacheti Family Office. So, I want to understand on the fans and pumps front, what are our in-house capacities? And what is the usual split of products sold between those in-house manufactured and those outsourced? And any idea on what are the gross margins for them?

Kaleeswaran Arunachalam: We don't give those data specifically, Rishabh, at a gross margin level for in-house business is outsourced. Our EBIT margins at vis-a-vis is disclosed, that will tell you how we have been moving over a period of time. Roughly, we are equally split for the in-house and outsourcing for fans as a business.

Rishabh Gang: Okay, and how is the pricing for those manufactured by others decided in terms of like pass-on of commodity price changes? Like how is pricing decided?

Kaleeswaran Arunachalam: So, you have a standard commodity index that helps us to see what is the commodity index that you need to pass on. For every product that we manufacture in-house and outsourced, we know what's the amount of commodity costs involved into it, what are the kind of material costs involved and what's

the conversion charge. And then you have a profit margin decided on that and then you do it. So, there are certain things that goes by an index and standard and certain things that goes by the design requirements that we have on the product.

Rishabh Gang: How frequently does the third-party actually change the price? I want to understand that.

Kaleeswaran Arunachalam: I think, it's too intricate data for us to share on our call, on operating data, Rishabh.

Rishabh Gang: Absolutely fine. Just one question here. What is your capacity expansion planning? Do we plan to increase the share of in-house manufacturing? And when we do an in-house thing, what are the return ratios and payback?

Promeet Ghosh: Okay, Rishabh, and again, what you would have seen as a part of Crompton 2.0 is we are rolling out a strategic sourcing plan for our various businesses. The idea, as I've said before, is for us not to simply focus on what is in-house and out-house. But to ensure that as the business evolves, we have control of important parts of the value chain, needless to say, given someone who is investing heavily in technology, that's a critical portion of how we're going to evolve as a company. So generally speaking, our business is one in which the asset turnover ratio is high. So, the payback for investments in in-house manufacturing tends to be quite quick.

Rishabh Gang: Okay, fine. Any expansion plans at the moment, right?

Promeet Ghosh: None that we are in a position to disclose yet.

Rishabh Gang: Absolutely fine, thank you so much.

Aniruddha Joshi: Yeah, thanks. Next, we have a question from Dhruv Jain. Please unmute yourself, state your company name and go ahead with the question.

Dhruv Jain: I had a question on one of the data points that you've put out in the presentation. You've mentioned that revenue contribution of alternate channels is about 17%, right? Firstly, I wanted to know what is the margin split or any directional colour that you would want to provide us to, say, in the next two years, what is the contribution from alternate channel that you're looking at? And I mean, specifically, what's the broader mix then you will be sort of trying? Any colour would be helpful.

Promeet Ghosh: The alternate channels as a share of overall business will continue to grow over the next two, three years. And that is, as I've said before, in the presentations, it's not that we are targeting a particular share for alternate channels to have, but we do want to have a balanced go-to-market. In our business, it is extremely important to have a balanced go-to-market in order to be able to sustain the kind of profitability that we have and aspire for. Each one of these channels has an impact on the other and having heavy alternate channel is not conducive to business just as not having an adequate exposure

to alternate channels is also not that desirable. So, as you can see, some of our alternate channels are growing very fast, and I expect that they will continue to grow quite faster than GT, which is close to about 80% of our portfolio just now. So, while we will see more of this, it's not like we're targeting now.

Dhruv Jain: I had one question on the competitive intensity. Two years back, we had seen that there was a lot of competitive intensity across product categories. So, if you could just broadly speak about how are you looking at it at this point of time across certain categories, has it reduced? Any thoughts there? Thanks.

Promeet Ghosh: The competitive intensity in our business never abates. So, you have to do what you have to do in the context of competitive intensity. We have the fortune of having moats, which work to our advantage despite the fact that each one of our businesses is intensely competitive, right? So, if we are doing well, it's not because competition has gone down, I wish it did but it's not.

Dhruv Jain: Fair enough. Thank you so much and all the best.

Promeet Ghosh: Thank you.

Aniruddha Joshi: Yeah, next, we have a question from Mr. Achal Lohade. Please unmute yourself, state your company and go ahead with the question.

Achal Lohade: Yes, thank you for the opportunity. Congratulations for a good set of numbers. Just wanted to understand, sorry, I missed the initial part. Did you mention the fans growth was 16/17% something?

Kaleeswaran Arunachalam: That's right.

Achal Lohade: Okay. And would you be able to kind of give some estimate as to how the industry has grown? Is it very similar? Is it much lower than this?

Promeet Ghosh: Achal, we don't have an industry number, a credible industry number, we have some estimates, but we don't have a credible industry number. My guess is that the industry has grown slower than this and then we have grown, gained market share would be our guess.

Achal Lohade: Right. And I remember a few years ago, we used to talk about our market share number. Would you be able to talk about that number? Do you have the like-to-like number of the market share?

Promeet Ghosh: Again, I can't give you a precise number. It's never a good idea but our broad estimate is that we are between 28-29% market share in the business.

Achal Lohade: Which used to be around 25-26%?

Kaleeswaran Arunachalam: So, from a point-to-point, we have gained market share. This is also in fans, led by a focus on premiumisation and which is also helping us to gain market share. And as you would know that the portfolio growth of fans is different between the mass and the premium category. So, our focus there is also helping us to gain share.

Achal Lohade: Got it. And just one small question, if I may, with respect to the margins. Now if I look at first quarter margin, it's at 15%. I'm talking about Crompton standalone ECD margins or even consolidated segment margins for ECD. How do we look at the margins? Given it's a fans-heavy quarter, and following quarters will be a bit heavier on the water heaters, etc, would the margin profile be better or similar or slightly lower than what it was in Q1 FY25?

Promeet Ghosh: Broadly speaking, our margins tend to be in a similar range. Not identical, but broadly speaking, they tend to be in a similar range.

Achal Lohade: Understood, this is very helpful. Thank you and wish you all the best.

Aniruddha Joshi: Thank you. Next, we have a question from Mr. Sanjay Chawla. Please state your company name and go ahead with the question.

Sanjay Chawla: Yeah, thank you for the opportunity. Sanjay from Renaissance Investment. My question is you talked about achieving double-digit revenue growth. Can you talk a little bit about the growth construct or a breakdown, if you will, in terms of penetration growth, premiumisation, price hikes for our existing key categories and also the contribution that you expect from new products and categories in an overall sense?

Kaleeswaran Arunachalam: So overall, from a portfolio perspective, while I will not be able to give you specific numbers. Broadly, the way we are seeing is let's start with ECD, fans, we are the market leader. And as you know, we sold about 2 crore fans last year, making us the single largest player on a global platform. On that scale, we still believe there is significant headroom for us to drive growth on premiumising the portfolio. Now this is something that you would know that the business used to hover around 17-18%, premiumisation of the portfolio. We have moved close to 24-25% range. And the idea is that potentially in about, say, three, four years, can we take this up to 40%. That's the strategy that we're looking out in terms of plans to deliver growth led through premiumisation. There is also premiumisation aided by faster replacement cycle that is coming in which should help. Coupled with the fact that even in the mass premium category, we do see geographical opportunities available in certain parts of India, considering our market share differentiation between strong markets and markets where we can improve.

In pumps, as we stated earlier, residential, we continue to be the #1 player. But within residential, we do see, considering our presence when the replacement cycle comes in, considering the water scarcity, people move towards submersible, there is an opportunity to significantly improve on submersible

portfolio in the longer run. Having said that, the area of focus is agri pumps, where we don't have a representative share similar to what we have in residential. So, the idea is how do we improve our agricultural portfolio, both with new products and penetration. You have seen consistent agri pumps growing in the last two to three quarters and gaining share also.

Similarly, we have started entering into solar. We are building a pipeline towards it. We have now two, three quarters of execution excellence as proof-of-concept so that we can take up the orders and execute it. So that continues to also open up further doors to gross pumps as a portfolio.

Appliances, as you know, we are today the #1 player in geysers. We are a top-3 player, geysers as a portfolio. Geysers in e-commerce, I meant as #1. We are trying to look at both channel penetration, trade is a great opportunity for us, while we do very well in e-commerce. Similarly, air coolers, the last two years has been phenomenal, led by the last two quarters, Q1 and Q4, where we have sold close to 200,000 coolers on a quarterly basis. So that gives us a great pathway and considering that we have an affordable, sustainable cooling solutions between fan and air cooler. We think that portfolio is augmented well to grow for the future.

Kitchen, we think, is one of our potential fast growth track strategy for the future. Subsequent to the acquisition of Butterfly today, we are the #2 player in India on kitchen. We talked about earlier in the call on what are we doing to transform Butterfly. That's moving in the right direction, and we should start seeing results coming out in late part of H2 onwards.

Our Crompton kitchen portfolio comprising of SDA and large kitchen, SDA is already growing at a very fast clip of 20% plus over many quarters now. Idea is how do we sustain and expand that. Large kitchen is a startup, the step one is trying to make that a ₹100 crore business and then try to make money and scale up from there onwards.

The last, but not the least, the lighting portfolio. Our stated agenda for lighting was in Q4, we wanted to stop the decline in lighting growth. Glad to state that we did that. And in Q1 onwards, we have to grow the business and we have started the growth trajectory. Our B2B business with the new vertical that we have created for enterprise has helped us to aggressively participate in tenders and that is growing in the right direction. Our B2C business augmented by our focus on ceiling and battens, these two businesses already growing in double-digit as we speak.

So, the course corrections that we have to do on the lighting business is almost done. Now we should be able to take the opportunity to grow the business from here onwards. Largely price erosion is one thing that we need to play, which is a category headwind that is continuing for many quarters. Subject to that, we are moving in the right direction on lighting business.

So overall, idea is how do we grow the portfolio in double-digit. And as and when we enter into new categories, in the longer run can that add about 200, 300 bps to the overall growth strategy and how

do we get operating leverage to claim, to expand the EBITDA margin is what we're looking at in long run.

Sanjay Chawla: And just in terms of the Fans segment, did you indicate the room for market share gain due to distribution growth?

Kaleeswaran Arunachalam: In certain markets, yes, not on overall market. There are markets where we are strong and there are markets where we believe there's opportunity to improve and gain share.

Promeet Ghosh: Look, as you've seen market share gains happens over, so it's not you have kind of hit a ceiling there. We have to keep working at it.

Aniruddha Joshi: Yeah, thank you. Next, we have a question from Harshit Kapadia. Please go ahead with the question and state your company name.

Harshit Kapadia: This is Harshit Kapadia. I'm calling from Elara Securities. Just two questions from my side. One is you had appointed Vector Consulting a year back. So, if you can throw some light on how they have improved your performance? Any tangible data that you can support with that would be helpful. And secondly, on your fan portfolio, if you can share data on how much is your premium fan in this quarter as well as the BLDC as a percentage of fans? Thank you.

Kaleeswaran Arunachalam: On the first one, it is still work in progress. It's too early to comment on what is the progress and where we have moved. As and when we make significant inroads, we'll come back to you guys to see how is it moving. Second, I think what we disclosed is saliency of our premiums, which includes BLDC also. We're moving towards about 25% of our portfolio being premium from about 17, 18% a few quarters back. While we don't give specific numbers, BLDC is a growth category for future. We do believe we are the #2 player in BLDC right now. Our endeavour is to reach #1 player in that category also in the long run.

Harshit Kapadia: And would you be able to share your market share in BLDC fans?

Kaleeswaran Arunachalam: We can't disclose that.

Harshit Kapadia: Okay, no problem. Wishing you all the best. Thank you.

Aniruddha Joshi: Thank you. Next, you have a question from Rahul Agarwal. Please unmute your lines, state your company name and go ahead with the question.

Rahul Agarwal: Good evening. Thank you for the opportunity. This is Rahul Agarwal from Ikigai Investments. Just to filter out whatever Kalees just said on how you see different segments. Just wanted to know like top 3 priorities in your mind going into next three years, there's a lot of work you've done over the

last three years to get where you are on Crompton stand-alone. I wanted to know like where would you spend your maximum time on? Like bang for the buck for a standalone business. Top 3 priorities for you in your mind. It could be product, it could be channel, it could be cost, could be anything. Just wanted to know your mindset. That's the first question.

Kaleeswaran Arunachalam: See, I think one of the things that we wanted to shape this organisation to move towards this consumer orientation. While there were many things that we talked about, we are good at margin, we are good at market share, we are good at everything. Finally, our product needs to win with the consumer. So that brings in a priority on how we bring in meaningful innovation that can help us to differentiate ourselves with the consumers. That will be one. Therefore, linked to that is how do we get our act right on new product development and how we ensure that the entire commercialisation of that goes through.

Second is, portfolio after portfolio, in all the categories that we are present, we do see premiumisation as a great opportunity. And we want to ensure that we are able to capture that as a strength. Not many brands in this country can straddle between selling a fan that is ₹1,500 to a fan that is ₹15,000 and do kitchen equipment that costs about ₹45,000 under the same brand. When we have that ability to do that, it is important that we focus on that and see how we maximise the entire premiumisation strategy.

The third would be the go-to-market to support. I think as you have seen in the earlier part of the call, the channels are evolving. We see the go-to-market on general trade is moving in a particular direction and the alternate channels are starting to capture a meaningful share of business. So how do we equip ourselves to deal with this and continue to ensure that we fortify our business to capture those opportunities? These would be the three. The foundation of this would be a great supply chain, which will help us to deliver the demand that is generated and continue to nurture and augment both our brand and people.

Rahul Agarwal: So essentially, it's the same of what you have done over the last three years, right? Just incrementally building on the same thing. Is that correct?

Kaleeswaran Arunachalam: Yeah. I think as you have seen for the last many decades, this business has got a few levers to do. It is just that we need to continue to do that with great amount of execution excellence. Otherwise, we will only be trying to do something which will not have a meaningful impact on business in the sake of innovating.

Rahul Agarwal: Got it. And lastly, on the cash usage, I just wanted to know like there's a ₹300 crore debt balance. One is, obviously, there is a timeline there. So, if you could help with that in terms of repayment? And second is after that, whatever cash generation happens, your dividend payouts are anywhere like 50% on an average. What are your thoughts in terms of investing in the business and re-investing in the business? Any thoughts?

Kaleeswaran Arunachalam: As you would know, at the time of Butterfly acquisition, the debt that was taken was about ₹2,000 crores plus. As we stand today in about less than two years, we have dropped that down to ₹300 crores outstanding debt. That shows the ability for the business to generate a very high amount of cash. The current outstanding debt is about ₹300 crores, and that is expected to be paid in next year, July.

Our dividend payment has been consistent and has been reasonably improving over a period of time, and we'll continue to focus on that.

Now insofar as cash towards investing behind the business is concerned, we typically look at two areas: one is meaningful new product development which will ensure that we are able to invest behind that and get in our innovation pipeline going. Second is on manufacturing and supply chain capabilities that we need to develop. There will be minor sums of money required for digital, etc, but largely, these two would be the areas. And we will have all the options available in front of us to evaluate the use of cash and form an optimal level of cash holding.

At the same point of time, it's not that we are looking at any M&As to grow the business if that's the other question that you have. We think the organic business currently on the portfolio has got enough headroom to grow in the long run.

Rahul Agarwal: Perfect. Thank you so much. All the best. Thank you for answers.

Aniruddha Joshi: Thank you. That was the last question for today. From ICICI Securities, we thank the entire management team of Crompton Consumer for participating in this call. And over to you for the closing comments for today. Thank you.

Promeet Ghosh: Thank you, everyone, for joining this call and actively participating in it. Thank you also, Swetha, for joining this from Chennai. Swetha has recently hurt her arm. I suspect it's from having wrestled with one of the competitors, what she claims. Thank you ICICI, for hosting this conference, guys. And if you have any questions, please feel free to reach out to us.

Kaleeswaran Arunachalam: Thank you. Bye.

(This document has been edited to improve readability)

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