

Management Discussion

Dhruv Jain - Analyst, Ambit

Crompton Greaves Consumer Electricals Limited, hosted by Ambit. Before we start, Crompton would like to point out that some of the statements made in today's call may be forward-looking in nature, and a disclaimer to that effect has been included in the earnings presentation shared with you earlier. Kindly note that this call is meant for investors and analysts only. If there are representatives from the media, they are requested to kindly drop off this call immediately. Today, from the management side, we have with us Mr. Promeet Ghosh, Managing Director and Chief Executive Officer; Mr. Kaleeswaran Arunachalam, Chief Financial Officer; Mr. Sachin Phartiyal, Business Head, Home Electricals; Mr. Shaleen Nayak, Business Head, Lighting, Solar, Rooftop and Wires; Mr. Anand Kumar, Business Head, Pumps and Kitchen Appliances; Mr. Rajat Chopra, Global Sales and Service Head; Ms. Swetha Sagar, Chief Business Officer, Butterfly Gandhimathi and Mr. Ruchir Jain, Head Investor Relations and Corporate Strategy.

As a reminder, all participants lines will be in the listen-only mode. [Operator Instructions] Now I invite Mr. Promeet Ghosh to take us through the key highlights of the quarter, post which we'll open up for Q&A. Thank you, and over to you Mr. Ghosh.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Thank you, everyone. Thank you, Dhruv, and good evening, everyone. Welcome to the Crompton Greaves Q2 FY27 earnings call for -- at this time, we've also already uploaded the investor deck, so you would have had some detailed understanding of what we are doing. But nevertheless, I'll try to give you more color as a part of this call.

Also, thank you to the team at Ambit for hosting this call. My team here is joining me. Their names have already been introduced by Dhruv, so I'll not go into it again. Very happy to share that Crompton's momentum of strong revenue growth and profit growth continues to strengthen. This is the third quarter of double-digit revenue growth, and is accompanied by excellent profit growth. This progress has been driven by sustained brand building, relentless focus on innovation and excellence in execution.

As a reflection of this transformation, in August 2026, we launched Crompton's Refresh brand identity featuring a new monogram Cephyr with a new tag and a distinctive sonic identity. Underpinning this evolution is our innovation agenda anchored in three strategic vectors -- design led innovation, technology-forward and Smart and Connected. By combining these three vectors across business students, we are continually developing and delivering industry first products that translate into patents, awards and most importantly, differentiated customer value.

Now, coming to execution, to begin with, and this might be something that may be at the back of your minds, the supply chain disruptions which impacted us in Q1 are behind us now. We have appropriately stepped up inventory levels, days of inventory which were low going into Q1, as you will recall, have now normalized to similar levels as they were one year ago. Moving to our quarterly performance, the benefits of our efforts in repositioning the business are clearly visible. Crompton delivered robust double-digit growth across all our business segments in Q2, driven by sharp and focused execution and meaningfully differentiated product launches, some of which I think you can see in the Investor Day.

Amidst a challenging macro environment, our consolidated Q2 performance firmly validates the

trajectory that we are on. Revenue grew by an impressive 18.2% YoY to INR2,263 crores. EBITDA delivered INR205 crores, surging 24.1% YoY with margins expanding 40 basis points, to 9% compared to a year ago. Operating leverage and Unnati program drove the bottom-line growth in a tough macroeconomic environment with respect to commodities.

PAT -- PBT excluding exceptional items grew by 36.2%. We had an exceptional item of INR20 crores, as some of you will recall, in Q2 FY'26, which was towards Baroda plant restructuring. This led to PAT growing at 65% ahead of PBT. PAT margins expanded 160 basis points. This is not strictly comparable, the PBT number excluding exceptionals is what is comparable.

While we are very optimistic about our structural growth, we of course, remain vigilant regarding macroeconomic headwinds. The industry is currently facing commodity cost pressures and unpredictable geopolitical developments. We have and are continuing to address these through disciplined combination of strategic price increases, consistent execution of Unnati cost savings, and these are accompanying the benefits of operating leverage which are showing in our business.

As far as overall Crompton channel performance is concerned, general trade and rural trade which are areas of particular strength of Crompton, both delivered double-digit growth. E-commerce however was subdued. On the back of efforts to reposition our go-to-market in the e-commerce channel, to improve channel profitability. You may recall that a similar exercise had been undertaken in Butterfly some quarters ago, and is helping us handsomely in that business today.

Now, coming to segment level performance. Our category leadership continues to deepen across our portfolio. In ECD, we delivered stellar 19.4% YoY growth with EBIT margins improving YoY to 11.6%. This is a 30.7% growth over the previous year. Fans delivered double-digit growth this quarter. Our BLDC fans continued the strong momentum, especially in general trade, with the growth of 40% aided by focused portfolio interventions and improved reach.

Pumps. Our conventional pumps business, which includes residential, agri and specialty pumps, delivered double-digit growth. Solar pumps witnessed a slowdown as order inflow from KUSUM 1.1, which is nearing completion, tapered. We are aware that this will pick up in the next quarter, with GOI having announced KUSUM 2.0. We expect the business to ramp up accordingly in the coming quarters.

Solar pumps importantly continue to support our agri -- conventional agri expansion, widening our distribution and our portfolio range. This is aiding a strong trajectory in our agri business.

Appliances. Large domestic appliances also grew at double digits, driven largely by water heaters. We continue to gain market share in our water heaters business during this quarter. Small domestic appliances also continued its momentum, and grew yet again in excess of 20% this quarter, led by air fryers, induction cooktops and mixer grinders. The consistent improvement in top line in SDA is now translating into disproportionate growth in profitability. As previously announced, we are restructuring our LKA business. As a part of the restructuring, going forward, both LKA and Rhion are being led by Swetha Sagar, the Chief Business Officer of Butterfly. Moreover, Rhion and LKA will leverage the broader Butterfly ecosystem. We expect this to materially reduce the overall cost structure and drive profitability in this segment.

New businesses. Wires and solar rooftop continue to build strong on-ground momentum. We launched our wires business in South India in Q1 FY27, and based on positive early traction, we have now extended it to Punjab, Delhi NCR and Gujarat in the previous quarter. Our execution of solar pump is also stepping up strongly. We have executed more than 50% of our order book with the AP

government. The business to consumer and commercial and industrial business of solar rooftop has also commenced in six states, and we are in the early stages of building this aspect of the business up.

Lighting. Sustained performance with 14.3% YoY growth to INR298 crores. This has been driven by ceiling lights and our outdoor range in B2C. This is something that I have been repeatedly calling out quarter after quarter. This is still the case here. Alongside this, industrial and indoor commercial segments in B2B are driving growth in B2B area. Both these segments have delivered, that is to say, industrial and indoor commercial segments have delivered strong double-digit growth this quarter.

EBITDA stood at 12.9% in lighting; this is fully disclosed as all of you know. It is lower than it was last year, largely due to the B2B business being impacted by pre-contracted orders.

Butterfly. In Butterfly, mid-teens growth has sustained with 15.9% YoY growth. This is after excluding what was an in-house sale of mixer grinders, which is there in the base last year. This quarter is also marked with sustained revival across core categories in Butterfly, as well as the retail sales channel. While the salience of cooktops has increased in Butterfly, a large bulk of the growth continues to be led by share in -- share gain in core categories. This is sustainable growth and high-quality growth, as well as improvements in the share of premium portfolio in the sales of Butterfly.

I am very happy to also report that our emphasis on developing international business is also beginning to bear fruit. Exports grew at more than 70% this quarter, and of course, recorded the highest ever quarterly revenues. We expect that the momentum in this channel will continue to build, and it is our belief that International presents a significant opportunity for this company over the next couple years.

Evaluation of Greenfield manufacturing plant is in advanced stages, with this we expect to raise our manufacturing capabilities in fans, appliances and wires. Looking ahead, having delivered consistent double-digit revenue and profit growth for the past three quarters on the back of various interventions in improving the quality of revenues and investing for the long term, we believe we are very well on track for our medium-term guidance.

We are entering the second half of the year with tremendous momentum, a leaner cost structure and a brand that is resonating deeply with consumers. We look forward to continuing to update you on our progress. Thank you.

Questions & Answers

Dhruv Jain - Analyst, Ambit

Thanks, Promeet. We'll now move on to the Q&A session. [Operator Instructions] So, the first question we'll take is from Aditya Bhartia. Aditya, you can go ahead and ask your question please.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Hi guys, if you can just introduce yourself, that'd be good. Go ahead, Aditya.

Dhruv Jain - Analyst, Ambit

Aditya, we can't hear you if you're speaking. Yes, we can hear you now. Please go ahead.

Aditya Bhartia - Analyst, Investec Bank plc

Okay. Hi, good evening, Promeet. This is Aditya Bhartia from Investec. My first question is on RM inflation and the kind of price hikes that may be further required in third quarter and beyond to kind of take care of the way RM costs have continued to go up. If you could kind of throw some light on how much of cost increases would have already been passed on, and what level of price increases may be further required, and how the near-term margin outlook is looking like?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Yeah, Aditya, as you have correctly noted, RM price increases have been quite sharp in our business. We have said this before and I'll say this again, as leaders in this business, we have taken the lead in passing on price increases. As I look at the kind of price increases that we've done over the last six months in various businesses, our price increases have been between, order of magnitude 15%, 16%. I don't want to get into specific numbers, but order of magnitude, most of our businesses outside of lighting, lighting is a bit lower obviously. Lighting is coming from a period of deflation to suddenly having to inflate prices. So, that's a little bit different. But order of magnitude in various businesses, you can say between 11% and 15% is the kind of price increases that we have taken.

We continue to be vigilant on this front. I would say that while we've heard of some of our competitors taking pricing increases or expressing the interest -- intend to take price increases somehow, not all of them always seem to fructify, but be that as it may. We have gone ahead and taken most of these price increases. I would say about -- this is this is something that is continuing to build, and we will as appropriate, pass on price increases as we go ahead. About 80% of the cost increases has been passed on. Part of this has to be dealt with the cost optimization, which as I've noted earlier, we have a very rigorous program called Unnati. So, both -- I think the margins in this company will be a factor of price increases, of operating leverage which we are beginning to see, and of cost improvements. You will also remember that we had said earlier that from a cost point of view, we've invested ahead of time in brand building, in innovation, etc., and some of the operational scale benefits are also coming through there.

Aditya Bhartia - Analyst, Investec Bank plc

Perfect. Perfect. That's great to hear. My second question is on solar rooftop, wherein you have indicated that roughly half of the contract has gotten executed. So, then would it be fair to assume that roughly half of the value of the contract would have gotten recognized as revenues in and bulk of that would have flown through in first quarter?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Actually it's a mix. It's -- half has been done as you are rightly -- it's actually been executed over the last quarter and this quarter.

Aditya Bhartia - Analyst, Investec Bank plc

Okay. Any idea that you can give, what could have been the quantum of revenues that we would have recognized in first quarter and bulk of the remaining is that likely to get recognized in second quarter itself. How are we thinking about building this business both from the perspective of B2C and new tenders that we are participating in?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Yeah. So, I don't know if you can give out a percentage breakup. Maybe we can just quickly see. We can come back to you on that, Aditya. Like I said, part of this was done in the first quarter. A larger number of cost is definitely in this quarter. I would expect that this again gets done over the -- it gets completely done in this, in the coming quarter pretty much, with some spillover in the quarter thereafter. The continuing growth in this business outside of this would be partly with the B2C business that you're saying. B2C by the way includes C&I, which as I just said, we have now rolled out in seven states, and we should start seeing the benefits of that beginning to come through. We've hired people, we've got -- we've onboarded channel partners. We have a fit for purpose product which we've rolled out into the market. So, all of those have happened.

We may also selectively participate in some more government tenders, but that will be proper, that's selective like we've done on it this time. We are pretty keen that the profitability characteristics have to be worthwhile for us to participate. But yeah, I think this -- there is clearly momentum building up in this business.

Aditya Bhartia - Analyst, Investec Bank plc

Perfect. Thank you so much.

Dhruv Jain - Analyst, Ambit

Thanks Aditya. The next question is from the line of Siddharth Bera. Siddharth, you can unmute and go ahead.

Siddhartha Bera - Analyst, Nomura

Yeah. Hi team, good evening. This is Siddharth from Nomura. Sir, first question is on this fans. We have mentioned in the presentation that the price hikes here have been in the range of low-single digit. While you mentioned a 15%, 16% overall increase. So, is it that in fans we have taken lesser price increase compared to the rest of the year?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

No.

Unidentified Speaker

Year-on-year is 15%.

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

Siddharth, probably you're referring to a Q2 impact. What we talked about is a cumulative price increase of last two quarters. If you look at the commodity cost trend, a large part of the commodity increase happened from February to June, and large part of the price increase that we have taken at that point of time. Whatever is left out to get to about 80% of our cost coverage has been taken in Q2. And as we talked earlier, if we do see some of the commodities further going up and we'll be disciplined enough to pass that also, net-off any cost saving that we get from Unnati.

Siddhartha Bera - Analyst, Nomura

Understood sir.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Price rise as you could imagine, Siddharth, is a continuing process now.

Siddhartha Bera - Analyst, Nomura

Yeah. So, another point, follow-up to that has been also that you have mentioned that the new business is around 10% of the revenues in quarter two, assuming large part of it is coming in ECD. So, the entire margin sort of moderation in ECD, is it only the cost passthrough or is there some impact of the new businesses which may have lower margins initially?

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

See, to start with fundamentally, if you look at the gross margins or the material margin compared to the last two quarters, at Crompton level, excluding some of the solar rooftop and other things, we are similar to Q2 levels on our gross margin. So, that has been by and large restored. Some of the mix impact does come in on account of solar rooftop and pumps, but we do get a high operating leverage on that because that being a passthrough to EBITDA.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Where is this 10%?

Unidentified Speaker

This guidance.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

But actually let me just find further.

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

It's a share of revenue, not the growth.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Okay. Share of revenue, not growth, right.

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

That's share of revenue, Siddharth. Yeah.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Share of revenue, historically also you will have solar pumps which would be in your share of revenue, which has come down, and a share of solar which has gone up. Sorry, solar rooftop which has gone up. And actually I should clarify once again just to be completely clear, insofar as fans is concerned, when I said, we have approximately 15% price increases, fans would be at that top. If you look at the price increases that we've taken in the last two quarters, some of which of course were taken towards the end of last quarter and flow through obviously to the score [Phonetic].

Siddhartha Bera - Analyst, Nomura

Yeah, got it sir. Thanks a lot. I'll come back in the queue.

Dhruv Jain - Analyst, Ambit

Thanks, Siddharth. The next question is from Sameer Gupta. Sameer, please go ahead.

Sameer Gupta - Analyst

Hi, good evening, everyone. Thanks for taking my question. Am I audible?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Yeah, yeah, go ahead.

Sameer Gupta - Analyst

Hey, so just wanted to understand the solar part of the business which is including pumps and rooftops. How should we look at it, let's say, from a medium-term view? Is there a landscape -- I mean, this can be very big. We are looking at other competitors scaling it up as we speak. What would be our right to win here? How do we go about this? Is there a target in our end that we are looking at? Let's say in FY29, we are targeting this part of the business to clock, let's say this much of the revenue. Also the AP part is now done. Do we expect any repeat of these orders or similar orders from other governments?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Yeah. So, let me answer the second question first. Like I said earlier, we do think that there may be some further orders that we may secure. And so, that will add to the order book. Having said that, we, as with the earlier solar rooftops, as with earlier solar pumps, we remain very particular about the profitability characteristics of new orders. But absolutely, your point is bang on. This is a large business. This is a large business. Solar rooftops by themselves are a INR26,000 crore business. This is exactly the kind of business where Crompton has a very strong right to win. This is -- don't take my word for it, this is also the reason why we have managed -- we are solar pump business ramped up so quickly, albeit the size of the market that is smaller.

Remember, when a person is buying a product which is, let's say INR1.8 lakhs, INR1.6 lakhs, which he expects will last over the next 20 to 25 years, the one thing that they care most about is trust. The one thing that they care most about is the ability to service the product should something go wrong. And this is a product in which visually you cannot tell the quality of the product, right. You cannot tell whether the quality of the panel that is being used is A, B or C. Great. Right. So as we are making foray into this business, we are very optimistic about this product, particularly because the B2C and the C&I part are similar to our other businesses as being high ROCE and strong cash flows. There are also adjacencies in this business as BS develops, as inverters become a large part of the market, these are all adjacencies which will be available to us going forward. Yeah. So this is -- there is a lot of potential in this sector.

Sameer Gupta - Analyst

Got it, sir. And just a follow up here. So what would be our revenue, let's say, per household from this solar rooftop project? So I understand there is a INR2 lakh outlay from a customer point of view, how much of that value are we capturing?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Hold on, hold on, hold on. So when I say INR1.8 lakhs or INR2 lakhs, INR1.8 lakhs is the amount that is outlaid for a 3 kilowatt unit, right. Part of that is as we know today is paid for, part of this is a subsidy that the government pays, and part of it the consumer pays. So for us, the product sold is INR1.8 lakhs.

Sameer Gupta - Analyst

Got it. And Installation is over and above INR1.8 lakh, is it?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Not really. This is inclusive of installation. So it's like a turnkey thing. The guy buys this product from you, and you install it and give him a product. And of course, you help service it over a period of time.

Sameer Gupta - Analyst

So, Crompton would be involved in even installing the product. They are not going to give it out to a contractor.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

We have in each market, we have people who are capable of installing. Just so we are clear, guys. In Andhra Pradesh, we have an order for 38,000 units, out of which 20,000 units have been installed by Crompton. There also we are selling only a product. This is the entire value chain of making, of getting the kits, supplying it to various parts of the state and then installing it, all of that eventually falls into Crompton. Of course, we have people who are doing it for us.

Sameer Gupta - Analyst

Sorry, I'm just belaboring on this point, but earlier during the call, I think CFO sir mentioned that the gross margin is lower but it flows through completely to EBITDA. So, the understanding was that there is no other cost item of installing or?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

So, let me explain. Good point. Good point. Let me explain. We have agency with whom we have gotten into partnership with. All right. And that agency undertakes the job of installing the product, right? That is why the costs are pretty much between gross margin and EBITDA, right? But that does not mean that Crompton doesn't take an active role in ensuring that it gets done.

Sameer Gupta - Analyst

Got it. Got it, sir.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Let me explain. Good point. Good point. Let me explain. We have an agency with whom we have gotten into partnership with. All right. And that agency undertakes the job of installing the product. All right. That is why the costs are pretty much nil. Between gross margin and EBITDA, right? But that

does not mean that Crompton doesn't take an active role in ensuring that it gets done.

Sameer Gupta - Analyst

Got it, got it, sir.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

It's going on in our name, know.

Sameer Gupta - Analyst

Got it. Got it, sir. This is very clear.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

It is an agency which is acting on our behalf.

Sameer Gupta - Analyst

Got it, sir. This is very clear. And just one follow-up, sir, one bookkeeping question. What would be the total quantum of price hikes, let's say in the last nine months starting from BEE rating changes and the inflationary pressures in fans that you would have taken?

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

For fans, if you have to look at it, it is somewhere around 17% to 18%, is what we would have taken cumulatively in the last nine months. Large part of that falling between March to June of largely this financial year and late last year.

Sameer Gupta - Analyst

Got it, sir. This is very helpful. Thanks again for patiently answering. I'll come back in the queue for any follow-ups.

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

And also probably I'm just adding in. The impact of this is also the strength of the brand, one of the things that we always ask is how do you validate the investment that we are putting behind brand? It is validated by general trade which is a large business, and some of our core categories are strongly grown in volume after the price increase also.

Dhruv Jain - Analyst, Ambit

Thanks. The next question is from Praveen Sahay. Praveen, please go ahead with your question.

Praveen Sahay - Analyst, PL Capital

Hi, thank you for opportunity. I am Praveen Sahay from PL Capital. Sir, my question is related to the inventory. So, for this quarter, the inventory has been increased, and you said that that is normalized now. Is it correct?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

That's right. That's right. So what I said is, going into Q1, you will recall that our inventory levels

were low. Now the inventory levels as day of sales is pretty much identical to what we had about a year.

Praveen Sahay - Analyst, PL Capital

Okay, so by end of Q2, the inventory level has been normalized.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Yes. Yes.

Praveen Sahay - Analyst, PL Capital

Okay. Second question is...

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

And the supply disruptions that we had, we had passed this.

Praveen Sahay - Analyst, PL Capital

Perfect sir. Second question is related to the export. Can you give some more color on the products and the geographical location for the export where you are doing, and 70% of a growth in the Q2 of what you had achieved, and also some color like where as a percentage of contribution where you want to take this export to?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Yeah, so Europe, this is something I said a few quarters ago. We, have identified exports as an area which there is a lot of potential for a company like Crompton. We have also therefore appropriately hired a team which has been on the job. Currently, our exports is largely fans led, with some exports being in pumps in LDA and SDA, right. This is today largely in Africa, in Middle East and Southeast Asia, and South Asia.

Unidentified Speaker

Nepal.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

So, today it is in these segments. What I am at liberty to tell you is this growth has come. If you don't mind, I won't tell you which countries because from a competitive perspective it would be compromising us. But this has come from not only selling more into countries that we sold, but also entering in a big way adjacent countries. I do believe that exports can potentially be much larger, much, much larger. I think hopefully this will be -- this rate of growth will sustain over the next couple of years. Something similar, yeah -- tell me.

Praveen Sahay - Analyst, PL Capital

Yeah, and two things related to that. One, is that the Crompton brand you are selling in these geographies, and secondly, how is the margin profile of export versus domestic B2C?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Yeah. So, the first of all, we are a consumer product company. So, these products are sold under the Crompton brand name, right? And the margin profile is similar to the one that we have in our domestic sale, actually a little lower but compensated by the fact that we don't give credit in the export business. It's cash.

Praveen Sahay - Analyst, PL Capital

Thank you sir, and all the best.

Dhruv Jain - Analyst, Ambit

Thank you. The next question is from the line of Keyur Pandya. Keyur, please unmute your line and go ahead.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

If I may, I just wanted to -- I forgot to mention this -- I should. The -- our confidence on the export market also rises from the fact that we are the largest fan -- ceiling fan company in the world. So, if anybody has scale, it is us in ceiling fans. Presumably that will help us in selling our products in various parts of the world. And it is, yeah.

Dhruv Jain - Analyst, Ambit

Keyur, you can unmute your line.

Keyur Pandya - Analyst, ICICI Prudential Life Insurance

Hello. Yes, Keyur Pandya from ICICI Life Insurance. Sir, the question is on A&P spend. So, we have seen for last couple of quarters or three quarters, A&P spend going up -- going down as a percentage of sales, this quarter in absolute terms as well. So, is it more tactical to manage the cost? Also how should we think of it for full FY27 as well as going ahead, since we are launching many new categories, and you have always talked about more sell-out and just in that backdrop, this discrepancy, if you can just enlighten on this. Thank you.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Yeah, so good question. The A&P spends are a factor of both advertising and promotions, A&P. And first point I want to make is, you will recall, I said earlier that we have been, if you will, repositioning our e-com spend in order to optimize profitability in e-commerce. And what that does mean is that some of the promotion spends which go into e-commerce, which go into your A&P, have therefore been as a conscious tactical approach being curtailed. That's one of the reasons that your A&P is not strictly comparable. This quarter incidentally, was also a quarter where we incurred a lot of quasi advertising spends which are not going into A&P. So, we relaunched our brand, there was a huge brand relaunch event, etc., etc. Those costs actually which -- while they do the same job as A&P are not classified as a part of A&P.

So, to a third, a smaller extent, as, you know, some of these new businesses that we are in, they don't require A&P, right? So, if you look at like we said, 10% of revenues come from a certain some product which doesn't require an A&P, then the percentage of A&P will fall. So, that's to a small extent, I must say, currently. But these are the reasons that our A&P spend this quarter is not strictly comparable to the previous quarter. But, as we have said time and again, we are very clear that Crompton's brand is our greatest strength, and hence, the investment in Crompton brand,

Refresh, and so on and so forth. So, yeah, we will -- we are not looking at brand and the promotion expense as a cost management.

Keyur Pandya - Analyst, ICICI Prudential Life Insurance

Okay, Just a follow-up. So, annually what should we think of A&P as a run rate or in percentage terms, and if this one-time cost have been added to some other head, if so, you can just quantify so that we can model it accordingly. Thank you, and all the best.

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

Yeah, so see typically if you look at it, our spend rate has historically been around INR250 crores to INR260 crores. Right now, in H1, if you look at it has been around INR100 crores. Depending upon how situation pans out, we would try to keep absolute similar to last year, but it also depends upon how the macro headwinds come through. If there is any call that we need to take at that point of time we will evaluate, but currently we would continue to invest and take it forward.

Dhruv Jain - Analyst, Ambit

Thanks, Keyur. The next question is from the line of Nilesh Doshi. Nilesh, please unmute your line and go ahead. Nilesh, can you unmute and go ahead with your questions please? Since there is no response, we'll move on to our next participant. Viraj, can you go ahead and ask your question please.

Unidentified Speaker - Unidentified Speaker

Hi. Thanks for the opportunity, and just couple of questions on the Butterfly side. First is, if you can just give some color in terms of mix between what are the kind of volume, price, and new product contribution has been either for the quarter or H1 '27. That is one. Second is, see, in the press release, we talked about that we expect infrared cooktops to be a new growth engine. So can you give some more perspective what gives us the confidence, considering that the competition is much higher now. So is it that the industry tailwind we expect to be very strong, or we expect to gain share. And if it's the latter, then what initiatives you're banking to differentiate and gain. So that is second. And I have two more, I'll just maybe wait for the answer.

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

First is what mix between volume and price control. Okay, so if you look at it, Butterfly overall the core business grew at 16%. And compared to last year, the large part of the growth has been price led at this point of time. To your second question on infrared category, what we said is an emerging opportunity that we have. Fundamentally what we believe is there is an opportunity for kitchen to get more and more electricals, as much as we look at as a new trend that is emerging in. What you have seen is a one-time spike that people are backed up in their kitchen with the infrared cooktop being bought.

As we move forward, it's an emerging opportunity that we should also be well positioned to capture that. Now, when we -- you know that as to Butterfly today is a leader in cooktop on a pan India basis, largely the stainless steel to start with. And with that strength coming in, we do think there is a right to win in infra also, and in a long-term basis we wanted to capture that opportunity.

Unidentified Participant

Okay. See, in terms of distribution. So sorry -- one is on the gross margin impact, how much is driven by new category entry versus, say, new category entry and aggressive pricing versus cost on the gross margin, and post GST normalization, how is the demand shaping up? And last is on the distribution. See, we are predominantly South based now. In the next two to three years, how do you expect this mix to change? So given Crompton is also much stronger in West and North, is this more of a low-hanging fruit or any color in terms of initiatives we are taking?

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

So, I'll take one by one Viraj. I think you talked about new product. I think more at a high level, what we would like to say is the brand architecture that Butterfly has put across, which introduced the Idea First Series as one of the biggest levers of growth. Glad to say that, that is more than double-digit contribution to overall share of business for Butterfly.

Second is in terms of GST. GST has not been benefited across all categories, but it is in cooktop -- sorry, pressure cooker, which is where the GST rates have come down. We continue to see disproportionate growth in pressure cooker category, and we see the trend to sustain as we move forward also.

The last question on Butterfly, looking at pan India opportunity, yes, that is a priority that we are working upon, but that's not to look at only Crompton's strength, but also independently look at how can Butterfly win nationally. We would be first starting with few selective markets. Maharashtra being the first one, where you will very soon see our regional campaign that will start for our five-star cooktop that we have launched recently, that will be our entry route. And as we succeed, you will see us penetrating into other markets also. At a very, very early signs, if we have to see it as a green shoot at this point of time. Compared to last year, we're already seeing reasonably strong disproportionate growth in North, East and West as compared to South. While the base is still small, but these are encouraging signs to start with.

Unidentified Participant

On gross margin, sir?

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

I think they talked about it through Idea First Series, today.

Unidentified Participant

No, there was an impact on gross margin, sir. So, was it some -- in Butterfly in the quarter?

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

Yeah, gross margin, if you look at it, it's largely again as we said, it is price driven, and whatever is the commodity cost that we have to absorb, largely we have passed it down. There's a marginal difference between what we delivered last year to this year, but we would like it to keep it at that level because key is to capture the market share for Butterfly.

Dhruv Jain - Analyst, Ambit

Thanks Viraj. The next question.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

I think the point that was made earlier, we should just clarify because, we're getting a little bit, I would say, about infra cooktops. The point being made by Butterfly is that, each salience of the cooktop -- of the electric cooktop market is very low, and that of -- and all of this growth that has come through in the last quarter and indeed in this quarter is really in its core products. Part of the reason is because we have taken whatever call we had taken some quarters ago about cooktops. We had some history about cooktops back in the day. But, as we have now addressed the supply chain as the salience of cooktops goes up -- of electric cooktops, I must say, goes up, then that's an opportunity -- promising opportunity for us. I must tell you also that in the regular cooktops -- in the glass cooktops, I am delighted to say that Butterfly being at the forefront of innovation, has come up with a five-star cooktop which nobody else has, which translates into two -- saving of two cylinders annually, which is huge, not only for the consumer but also for the country. And I do believe that will help drive cooktop, the gas cooktop sales as well. And indeed, that's likely to be the way that they start to sell, that they make penetration in the Maharashtra and the Western markets.

One final point I want to make, which is something that goes towards improvement in Butterfly quality of sales. In business after business, we've been very focused on quality of sales. In the NEW market, Butterfly is growing. But what they have done is that they have shrunk the footprint and are focusing on a smaller footprint and getting high-quality sales from there. And once you start to get high-quality sales, they will increase the footprint. So, similar to what they've done in the South, focus on the core, get your core right, and then expand it.

Dhruv Jain - Analyst, Ambit

Thanks, Promeet. We'll take the next question from Umang Mehta. Umang, you can unmute your line and go ahead with your question, please.

Umang Mehta - Analyst, Kotak Securities

Thanks for the opportunity. And this is Umang here from Kotak Securities. My first question is on raw material inflation and the outlook. Just to clarify, you mentioned that 80% is already passed through, correct? And if that's the case, should we expect in terms of gross margins or gross profit growth of double digit, which you've seen this quarter, is it fair to assume that will be better and not worse going ahead?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Tough to say, Umang, because this is a commodity market which is pretty unpredictable just now. So, you know how it is, right? If I could predict how the geopolitics is going to go, then I'd have a better grip on how commodity prices would go. But the point we are making is that, we do want to be fully consistent in passing through cost increases to the market. Sometimes like we did in the last quarter, we will pass them on, albeit towards the end of the quarter, sharp price increases, because that's what we did. Or sometimes we would do it in small single-digit packets, but we will pass these on. But, when we do it in single-digit packets, we do them regularly. When we do them in sharp increases, then of course, they are one-off. So, tough to say, but, yeah, we'll be very vigilant in this.

Umang Mehta - Analyst, Kotak Securities

Understood. And just the second one was on the changes in LKA which you are doing. You mentioned that there'll be some cost savings. Possible to quantify how much was the channel? I

understand that you had a separate go-to-market right, in terms of standalone stores. So, what are the changes we are looking to make over there?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

To give you a sense, we have from at various points in time disclosed the EBITDA loss that that business was going -- making. At various times, the EBITDA loss was between INR25 crores and INR16 crores, INR17 crores. So, that's the quantum of -- hopefully that should give you a sense of when we say this is a business which will -- which is being restructured to move towards profitability, that should give you a sense of the kind of profit -- loss/profits that are in play.

Umang Mehta - Analyst, Kotak Securities

Got it. Thank you so much and all the best.

Dhruv Jain - Analyst, Ambit

Thanks Umang [Speech Overlap] The next question is from Rishabh Bothra. Rishabh, you can unmute and go ahead.

Unidentified Participant

Good evening, sir. I'm slightly new to the space, but looking at your slide number 5 where you have mentioned the unlocking of INR160,000 crore TAM, I would like to know the new adjacent categories, what kind of CapEx would be required, and with respect to manpower, what kind of front loading can be there which can impact the margins? Solar rooftop and wires. What's the revenue as of now from the new adjacent categories?

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

Rishabh, I think if you look at it we have provided an ambition where we said about 14% to 15% of our revenue would come from new businesses in the long run, and we think our trajectory is moving in the right direction towards that. Some of the businesses that we have already started and reaching to reasonable level of scale, these solar pumps and solar rooftop. Wires is a very very nascent entry at this point of time.

The second question is on capex towards some of these facilities. I think, Promeet did call out that when we are looking at greenfield, wires is also going to be a part of it from our capex strategy perspective, because we believe it's a long-term play for us, and we have a very strong right to win, and we want to leverage that.

The third question is in terms of manpower, I think, somewhere we touched upon during the course that one of our strengths is we have a go-to-market that can carry many categories, and that does mean that as to, we have to leverage the strength of our one sales team that we have, largely at say an ECD platform. That engine can carry more. So, idea is not to create multiple dedicated sales or manpower for this, but leverage the existing team. Yes, there will be marginal increase in category specialists and other teams being created for this, but not significant.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

So, to give you a sense, one of the takeaways from the LKA business, which we had built on the basis of a separate sandbox. One of the lessons we've taken away from that is that as we introduce

new businesses, we will not create fresh cost centers and heavy people expenses for them. The solar pumps business leverages of our pumps business, pumps infrastructure, our solar rooftop and wires for these leverages, of our lighting infrastructure. And now the LKA business is also going to leverage of our Butterfly infrastructure, having an existing and robust go-to-market is one of our greatest trends, and therefore it allows us to build on these businesses without having to spend a lot of money on building it fresh.

Unidentified Speaker - Unidentified Speaker

And secondly if, you could throw some -- yeah.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

And, indeed I must tell you, this is just the go-to market. Even the backend leverages of the scale that we've got. So, both solar pumps and solar rooftops leverages of a common supply chain infrastructure. LKA which is a kitchen product will do the same. The same holds true also for our innovation spends. So, yeah, yeah.

Unidentified Participant

AAAnd secondly, if you could throw some light on what's the spare capacity we have for existing businesses headroom for growth?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Spare capacity is...

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

Spare capacity is regarding -- sorry, didn't get the question.

Rishabh Potra - Analyst

I mean, the existing business, we have facilities. How is the utilization in existing capacity or what kind of revenue top-up we can do from current sweating of the assets?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

He's talking about manufacturing, I think.

Unidentified Speaker - Unidentified Speaker

Yeah,

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

I assume you're talking about manufacturing, Rishabh?

Unidentified Participant

Correct, correct, correct, manufacturing, side.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Since you're relatively new, just to brief you, Crompton has historically had a mix of outsourcing and own manufacturing. Insofar as our pumps business is concerned, it has largely been an outsourced model for the last 85 years. So, has been our case for our internal appliances businesses. These new businesses currently are also on an outsourced basis. One of the signature strengths of Crompton has been to be able to source products, ensure that they meet the quality standards of Crompton, and therefore, particularly initially optimized capital costs. So, that's the way that we've approached it. As we go forward, as Kalees was saying, we look at whether we are better off investing in manufacturing capacities.

Dhruv Jain - Analyst, Ambit

Thanks, Rishabh.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

But, today there is no issue of supply constraints.

Dhruv Jain - Analyst, Ambit

Thanks, Rishabh. The next question is from Manoj Gori. Manoj, please unmute your line and go ahead.

Manoj Gori - Analyst, Equitas Securities

Thanks for the opportunity. Manoj Gori here from Equirus Securities. I have one question. If I look at the price hikes that the company has taken across various product categories, and when I look at the ECD growth numbers, and plus the volumes and the revenues were impacted in the base quarter as well. So, how should we look at the volume growth across product categories? Because as we highlighted for fans, we have roughly taken around 17%, 18% kind of price hikes since last year. So, how should we read on the volume front, and probably how the underlying demand environment currently stays for product categories across our portfolio? That's the only question, sir.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Yeah, yeah. So, volume growth I'd say since you first raised fans, particularly -- and our largest sale is in GTRS [Phonetic] our volume growth actually in both GT, which is general trade as well as rural, has been quite robust, right. So in fans, since that's the specific question. Sorry, there's somebody who was asking a question. What is that?

Dhruv Jain - Analyst, Ambit

Louder.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Oh, louder. Okay. All right. Let me try and be a little louder. Did you guys hear what I said? Okay. All right. So price, in so far as volume growth is concerned in both GT as well as in rural, we have seen volume growth, and I did tell you earlier that this quarter, for instance, our GT growth is strong double digits, right. I was not exactly telling you the number, but that should give you a sense of how our presence has grown. This is obviously a much more profitable business as well as an area of signature strength for us. Insofar as lighting is concerned, again, I think I'd say, fair to say that we've had volume growth.

Manoj Gori - Analyst, Equitas Securities

Yes.

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Volume growth, a strong ESP growth and volume growth, a part of the thing in B2B continues to be -- B2C continues to be the improving share of business of flood and ceiling and outdoor. Right. I'd say -- you want to comment on the volume growth in Butterfly.

Manoj Gori - Analyst, Equitas Securities

Basically I just was more eager to understand from an ECD point of view.

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

So Manoj, fundamentally what we are trying to state is if you look at category after category, Q2 is the first time where price increase has been largely passed down, and we see positive volume growth coming across all categories. And, particularly, we are a general trade driven company, which is 80% of our business, that is showing very strong signs of growth. As we move forward, in the Investor Day we clearly called out that as far as a category, we want to be at 1.5 times to 1.7 times the category growth, which means that there is going to be underlying volume growth also going to come in.

We see that being driven by BLDC, which is something where we have headroom to grow significantly. We also see at standard and see, we clearly clawed down, which is our entry level fans. Regulation will drive consolidation to drive volume growth, and TPW which is largely the table pedestal and wall fans, we continue the trend to be positive on volume growth coming in.

So, as we move forward, considering where we are at the leadership portion in fans, and in many other categories, we are only emerging, whether it is small domestic appliances or large domestic appliances or Butterfly, we don't see volume growth to be a challenge at this point of time.

Manoj Gori - Analyst, Equitas Securities

Got it, Got it. Very clear. This was very helpful. Thank you and wish you all the best.

Dhruv Jain - Analyst, Ambit

Thanks Manoj. The next question is from Nilesh Doshi. Nilesh, please unmute your line and go ahead.

Nilesh Doshi - Analyst

Yeah. Am I audible, sir?

Dhruv Jain - Analyst, Ambit

Yeah.

Nilesh Doshi - Analyst

Thanks for the opportunity. Sir, in the presentation, slide number 12, you have mentioned that the company has a ambition to achieve the EBITDA margin of 11% to 12% by FY29. But I would like to say that historically even in the FY25, the EBITDA margin was 11.8% which had dropped to 10.4% in FY26. And in the first half of the current year, it is 9.6%. So, by saying achieving the 11% to 12% EBITDA margin, you are saying, you will regain the margin but not growth in the margin, and showed

our profit growth will be the revenue driver rather than the margin expansion. Is it correct, sir? Please explain.

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

Probably you are looking at the organization recently is what I believe. Just to give you a perspective, when we launched the Crompton 2.0 strategy, the underlying principle was to double our revenue, which is growing business at about 15%. And that is something if you look at our Investor Day presentation, the Phase 1 of Crompton, we have been growing at about 6% on an average. So, we are taking a growth rate to up by 2.5 times from where we have been in the past. That means that we need to put money behind innovation, people and brand. And that means that as we build on that, absolute growths will ensure that operating leverage will kick in. So, when we reach a 12% EBITDA at that point of time, that's on a higher revenue base. Idea is to focus on revenue growth in a market like India, that is most critical, and then follow it up by continuing leadership by gaining market share in the categories where we are presented.

Nilesh Doshi - Analyst

Thanks. And sir, just now the earlier participant had asked about the fan business, because the Crompton's one of the core business is the fan and currently in most of the houses, offices or any premises fan is already there. So, in such situation what will be our future volume growth drivers for the fan business?

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

Nilesh, we just answered it. Maybe you can reach out to the investor relation team again to get some details on it. Thank you.

Nilesh Doshi - Analyst

Okay, sir. Thank you.

Dhruv Jain - Analyst, Ambit

Thank you. That was the last question. Any closing comments from the management?

Promeet Ghosh - Managing Director and Chief Executive Officer, Crompton Greaves Consumer Electricals Limited

Do you want to...

Kaleeswaran Arunachalam - Chief Financial Officer, Crompton Greaves Consumer Electricals Limited

So, thank you, Dhruv and everybody. All we wanted to say is, this is our third year into Crompton 2.0, and we are getting into a quarter where we see a lot of positive trajectory in terms of outcome. All our three engines firing strongly in mid-teens growth, with margins expanding most importantly by 20 bps. We are pretty much confident that we are entering into a many-quarter double-digit growth trajectory backed by positive revenue growth and profit growth also. Thank you and thanks a lot for your time, guys.

Dhruv Jain - Analyst, Ambit

[Operator Closing Remarks]