

# MANAGEMENT DISCUSSION & ANALYSIS REPORT



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## Global economic review

Over the course of the past year, the global economy has experienced numerous challenges in the form of geopolitical tension, rising interest rates, high inflation levels. Alongside, the consequences of a sudden surge in COVID-19 cases in China also impacted growth projections.

As per the latest estimates by the International Monetary Fund, the global GDP growth rate is estimated to be 3.4% in CY22 showing resilience towards the recessionary fears. On account of these headwinds, supply chain disruptions were also rampant. Moreover, due to geopolitical conflicts, crude oil prices soared, global trade was impacted and inflationary pressures worsened. To rein in inflation, Central Banks across the world, including the US Federal Reserve, responded with synchronised rate hikes.

A stronger boost from pent-up demand in numerous economies or a fall in inflation is expected in the course of 2023. The emerging and developing economies of the world are likely to play a major role in accelerating global economic growth. Another silver lining is the fact that global inflation is likely to decline from \*8.8% in C.Y. 2022 to 6.6% in C.Y. 2023 and 4.3% in C.Y. 2024.

\*Source: IMF Word Economic Outlook January, 2023



**India, along with China to contribute 50% of global growth in 2023**

Source: IMF

## Indian economic overview

The Indian economy remained remarkably resilient to global challenges in F.Y. 2022-23. This is evident by robust domestic demand and upbeat investment activity. Sectoral analysis reveals that growth was driven by robust construction activity aided by increased infrastructure investment both by the Central Government and State Governments, which paved the way for large-scale employment opportunities. Building on the gains of first half of the fiscal year, the second half continued to see a gradual upswing in demand and economic activity.

While post-covid, private investment recovery is still at a nascent stage, there are early signals, which indicate that India is poised for a stronger investment upcycle in both manufacturing and services sectors. The number of

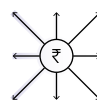
private investment projects under implementation in the manufacturing sector is also steadily growing.

## Outlook

Despite high inflation, the Indian economy has achieved GDP growth of 7.2% in F.Y. 2022-23. Sustained growth in GST collections, electronic toll collections and the volume of e-way bills generated indicate encouraging momentum. Indices of manufacturing activity such as the PMI-manufacturing, the Index of Industrial Production and the Index of Core Industries (ICI) demonstrate that manufacturing activity continues to grow steadily. Indicators of the services sector (UPI transactions, high credit demand) also point towards sustained expansion.

To drive the virtuous cycle of infrastructure investment and job creation, the Union Government has considerably increased the capital expenditure outlay to ₹10 Lakh Crore, which is 33% higher than the previous year. The increase in infrastructure spending, especially in tier II and tier III cities is anticipated to have a substantial effect on the Indian economy, generating new employment opportunities and stimulating growth.

Overall, the demand conditions in India remain conducive to supporting economic activity. India faces the coming financial year with confidence imparted by underlying and overall macroeconomic stability, while being on the alert against geo-political and geo-economic risks.



**To drive the virtuous cycle of infrastructure investment and job creation, the Union Government has considerably increased the capital expenditure outlay to ₹10 Lakh Crore, which is 33% higher than the previous year**

Source: Department of Economic Affairs, Government of India

## Industry overview

### Electrical consumer durables ("ECD") industry in India

The electrical consumer durables industry has witnessed improved demand growth over the past year. Due to the increasing adoption of advanced technology and automation, the segment continues to be a lucrative market for innovative products.

Following the adoption of Industry 4.0 practices, manufacturing efficiency of consumer durables have improved significantly on account of investment in Research and Development ("R&D"), use of technologically advanced infrastructure, and improvement of production methods. In India, the urban markets (metros, Tier 1, Tier 2 and Tier 3 cities) dominate the consumer durables sector, accounting for nearly two-thirds of the market. Although the Indian rural market is underpenetrated, the demand for consumer durables in rural areas also significantly rose in second half of the year supported by aspirational buying.

Consumer durables are in greater demand due to increased awareness for high-end products, demand for cost-effective and energy-efficient products, and the growing preference for convenient products that are suitable for an aspirational lifestyle.

There is a growing trend towards energy-efficient products, driven by several factors. Increasing urbanisation, along with increasing wealth and government initiatives promoting sustainability, has created greater awareness of the importance of energy efficiency. As a result, more and more people are seeking to upgrade their homes with smart technology, such as voice-controlled devices and IoT safety measures. This trend is further fueled by the widespread use of smartphones, which is driving increased adoption of smart and connected products.



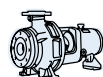
## Fans

The demand for superior quality fans continues to rise in India. Consumer preferences are pivoting towards energy-efficient, durable and innovative products. The transition mandated by Bureau of Energy Efficiency ("BEE") to strict energy certification criteria has become a significant factor driving demand for higher quality fans in India. The focus has shifted on producing more energy-efficient, durable, and innovative fans that adhere to the new BEE norms.

The tropical climate of India continues to be a major factor for driving the sale of fans in the country. Being more cost-effective, energy efficient and durable, fans are extensively used for residential as well as commercial purposes. Growth of the real estate and hospitality sectors and government impetus for affordable housing as well as smart city projects continue to catalyse the growth of this segment.



**Ceiling fans to get upgraded as per BEE's revised energy efficient norms & mandate star labelling**



## Pumps

Steady growth of wastewater treatment, development of infrastructure and housing projects as well as rapid utilisation of industrial pumps by various end-user industries have fuelled the growth of the pump market in India.

To ensure uninterrupted piped water supply, pumps are being widely used across the country. Favourable government policies for promoting agricultural growth such as the Indian government's 'Har Ghar, Nal Se Jal' scheme is a promising initiative that aims to provide piped drinking water to every rural household in India. In the context of this, the Government of India has allocated ₹70,000 Crore towards the mission of achieving this by F.Y. 2023-24.

The scheme is expected to have a positive impact on the pump industry, as it requires the installation of a large number of water pumps in rural areas. Pump manufacturers and suppliers will see considerable growth as a result of increasing demand for their goods. The unique community-based model of decision-making for water tariffs under the scheme may also lead to the adoption of more efficient and cost-effective water pumps by rural communities.

Technologically advanced pumps are also being widely used across the country. The intelligent pumping systems are designed to regulate the flow of water, adjust pressure settings and are long-lasting in comparison to ordinary models.

## 5.26%<sup>1</sup>

**CAGR of the Indian pump market between F.Y. 2022-23 and F.Y. 2027-28**



## Lighting

LED lights are highly popular in residential applications, including general lighting, outdoor lighting and decorative lighting due to their ease of use, energy-efficient and cost-effective nature. Additionally, LED lighting finds versatile use in infrastructure and beautification projects, smart cities, streetlights, offices, and industries, which further fuels the demand for LED lights in India<sup>2</sup>.

In addition to the residential sector, infrastructure development including roads, ports, metros, and other public amenities are significant demand drivers for LED lights. Moreover, the rising demand for energy-efficient lighting solutions in the industrial and commercial sectors, including

<sup>1</sup> <https://www.imarcgroup.com/india-water-pumps-market#:~:text=We%20expect%20the%20India%20water,5.26%25%20during%202023%2D2028>

<sup>2</sup> <https://www.imarcgroup.com/indian-led-lighting-market>

offices and factories, contributes to the expansion of the LED market in India.

Another significant demand driver is the housing sector, which is experiencing a surge in demand due to the rapid urbanisation and expansion of the middle class in the country. With an increasing emphasis on sustainability and energy efficiency in the housing sector, LED lights have become the lighting solution of choice for new housing developments.

The Indian IoT market is projected to achieve a notable CAGR of 14.23% between F.Y. 2022-23 and F.Y. 2027-28<sup>3</sup>. This growth is expected to propel the adoption of home automation, leading to the automatic and remote control of various electrical appliances, fixtures, and accessories. Consequently, this will give a significant boost to the connected and smart lighting solution market in India.

### Home appliances

India is one of the key markets for the home appliances and consumer electronics industry. Post pandemic, there has been a substantial shift in consumer attitudes towards home appliances. As remote employment has become a norm, the demand for home appliances has increased. This rise in demand is anticipated to continue over the long term, and the industry is anticipated to grow steadily.

The relatively low penetration of home appliances in India presents a significant opportunity for the industry to capture a larger market share. With increasing urbanisation and growing awareness of premium products in rural areas and the need for convenient home appliances, there is a vast untapped potential for home appliance companies to expand their reach and provide convenient solutions to a wider audience. As a result, innovative and user-friendly home appliances are being regularly introduced to the market.

The use of advanced technology has also become common and with government impetus for increasing domestic production of home appliances, long-term prospects for the segment remain extremely optimistic.



### Water heaters

The primary factor driving the market for water heaters is the increased preference for modern and efficient appliances in residential units as well as in the hospitality industry. Additionally, eco-friendly and energy efficient water heaters have significantly increased its market share, making way for rapid innovations in the segment. The growth of an urban population, increased preference for online purchases and a desire to replace

conventional methods of water heating are contributing towards the sale of water heaters across the country.

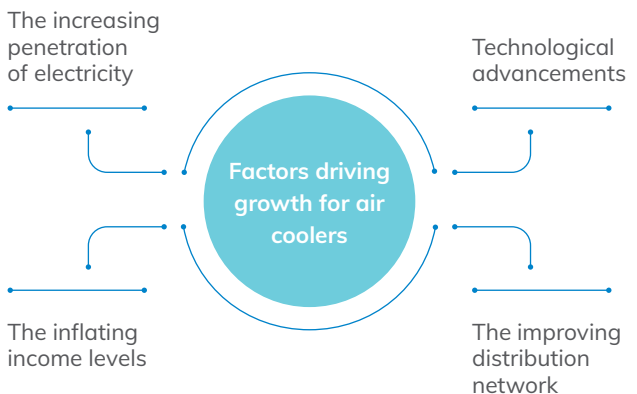
## 8.6%

**India's electric water heater market is expected to grow CAGR at F.Y. 2022-27**



### Air coolers

Unprecedented weather conditions leading to warmer summer months play a vital factor in increasing the sale of air coolers. Due to rapid urbanisation, growth of residential projects and added impetus for rural electrification programmes, the demand for energy-efficient and technologically advanced air coolers continues to rise.



### Small domestic appliances

The growing demand for kitchen appliances with cutting-edge features is one of the main factors accelerating the growth of the Indian kitchen appliances market. Besides, urban migration has triggered the need for efficient appliances that are convenient as well as less time consuming.

Considering the growing number of women in the workforce, the rise of nuclear families and hectic lifestyles, the demand for modern appliances has peaked over the past few years. Due to constant R&D, innovative products are being launched in this segment and demand for small domestic appliances such as mixers, grinders, juicers, microwave ovens, toasters, vacuum cleaners, electric kettles, coffee machines, and so on, continue to rise.

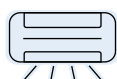
<sup>3</sup> <https://www.imarcgroup.com/india-internet-of-things-market>

## Key growth drivers

### Government initiatives

Government schemes such as 'Housing for All', 'Power for All' and rural electrification drives have had a significant impact on the growth of India's consumer durable industry.

Encouragement for the Production Linked Incentive (PLI) Scheme is also boosting domestic manufacturing of consumer durables, thereby contributing to the growth of the consumer electronics and equipment sector in India.



**PLI Scheme has announced an investment of ₹6,238 Crore (\$851 Mn) for white goods (Air Conditioners and LED Lights)**

### Rising income levels

With an increase in the number of working women and the rise of nuclear families, household incomes have increased. It has not only necessitated the use of user-friendly consumer durable products, but have also created awareness of innovative products that add convenience to life. Moreover, urban migration has led to the creation of an aspirational middle class that continues to prefer a wide range of consumer durables.

### Growth of e-commerce platforms

The penetration of the internet in urban, semi-urban as well as rural areas has largely contributed to the growth of the consumer electronics and appliance industry. Various e-commerce platforms have enhanced access to products at affordable rates. It has improved consumers' ability to search and compare products and services. As a result, consumers spending on electronics and household appliances have significantly increased.

### Increasing electrification and market expansion

Over the past few years, small towns and villages have seen considerable improvement in the availability of power. With greater electrification, the industry is seeing demand growth of consumer durables in rural areas. In urban markets, premiumisation has shortened the replacement cycle of products and as people continue to upgrade to latest models, the market is expanding at a phenomenal rate.

### Quicker transition to the organised sector

The market share in the consumer electronics industry is shifting from the unorganised to the organised sector. This change was mostly driven by the pandemic, implementation of GST, and entry of online retailers.

## Company overview

Crompton Greaves Consumer Electricals Limited ("**the Company/ Crompton**") is one of India's leading consumer electrical companies, having a rich legacy of more than nine decades in the ECD and Lighting segments. The Company manufactures and distributes a diverse range of consumer items, including fans, pumps, and appliances (Water Heaters, Air Coolers, Mixer Grinders, Iron, and Other Small Kitchen Appliances) in the ECD category, as well as lights.

Crompton is one of the celebrated players in fans and residential pumps solutions. In addition, the acquisition of Butterfly Gandhimathi Appliances Limited ("**Butterfly**") will accelerate the long-term strategic goal of becoming a key PAN India player in small domestic appliances. It will provide greater exposure to the South Indian market, since it is the leading brand in key categories like LPG stoves and table-top wet grinders.

**4,000+**  
Distributors

**1,50,000+**  
Retailers

**620+**  
Service centres

### Butterfly Gandhimathi Appliances Limited

Butterfly is one of the largest integrated domestic kitchen appliance manufacturers in the country. Due to its innovative and high-quality products, Butterfly leads the Indian kitchen appliance industry. Butterfly's product portfolio includes a complete range of kitchen appliances such as LPG stoves, mixer grinders, table-top wet grinders, stainless steel, aluminium pressure cookers, stainless steel flasks and water bottles.

The Company leads the market in Southern India for wet grinders and LPG Stoves. For the last five years, it has consistently grown at 17% CAGR (F.Y. 2017-23). Butterfly's continuous, industry-leading growth is driven by its strong brand appeal, technical proficiency and e-commerce success.

Crompton acquired a 55% stake in Butterfly Gandhimathi Appliances Ltd. and subsequently acquired an additional 26% at a price of ₹1,433.90 per equity share through an open offer. The open offer provided Butterfly's public shareholders with an exceptional opportunity to sell their shares at a fair price

and recoup their investment. Consequent to the acquisition and regulatory requirements of the open offer process, the current shareholding of Crompton in Butterfly is 75%. The proposed merger is a step in the right direction to unlock the potential of the combined businesses. The merged entity is expected to benefit from the pooling of human capital that has diverse skills, talent and vast experience to compete in an increasingly competitive industry. Additionally, it will enable more efficient allocation of capital and result in simplification of the corporate structure.

Crompton now has access to Butterfly's manufacturing facilities, R&D expertise and distribution network. It will enable a faster execution of its Go-To Market strategy and enable sharper focus on product innovation.

By using Butterfly's product portfolio, Crompton is now able to increase its selection of small household appliances. The Company will be able to offer its consumers a broader selection of high-quality products, consequently expanding its market share.

Crompton would gain a significant presence in South India by acquiring Butterfly's extensive dealer and distributor networks. This has allowed the organisation to grow its other areas and product offerings in South Indian markets. Consequently, with Crompton's PAN India presence, Butterfly's products can reach a broader audience and earn greater acceptability throughout the nation thanks to a more extensive distribution network.

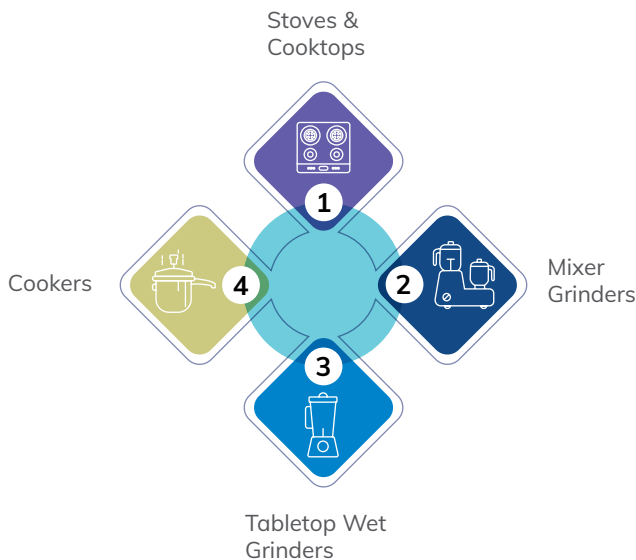


**Manufacturing**

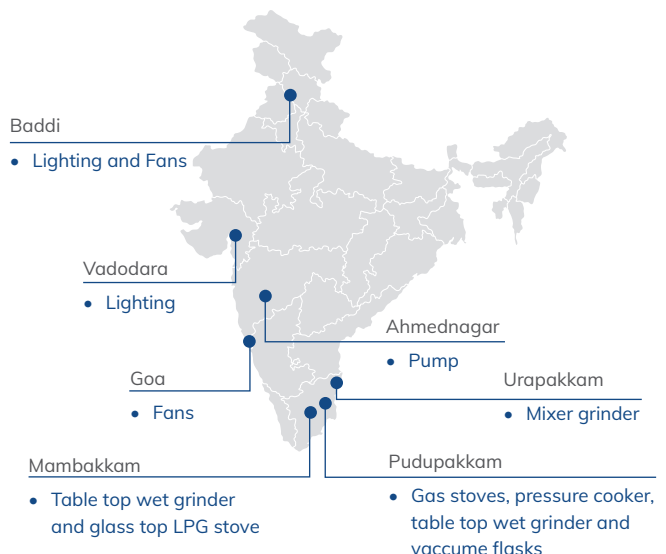
The primary focus of Crompton is an effective manufacturing techniques that leverage innovative and advanced technology to reduce operating costs. The Company applies lean manufacturing technique to streamline its production process throughout the entire product life cycle. As a part of its core objective of operational excellence, the Company consistently strives for efficiency at all of its manufacturing facilities. In addition, many of its new capital investments and operational initiatives are geared towards achieving optimal resource utilisation. The incorporation of Butterfly into the Company's operations has expanded the portfolio of manufacturing facilities to include its existing production locations.

To improve cost efficiency of the value chain, the Company is working on several projects, such as Project Unnati, which has been running for more than 5 years. This programme has enabled the Company to benchmark itself against the best industry practices/ products in terms of material and process cost. In addition to Project Unnati, a dedicated team is working on Project UDAAN, a project focused on improving manufacturing excellence at all Crompton manufacturing, vendor and supplier locations. It has identified work areas to deliver improved quality, capacity utilisation, productivity, reliability and cost.

[For more information, refer Financial Capital and Manufactured Capital of the IR on page 64 and 68]



**Locations**



[For more information, refer Coming together of Crompton & Butterfly section of the IR on page 08]

## Business overview

### Electrical consumer durables ("ECD") business

The ECD business of Crompton is focused on providing high quality electrical products and consumer durables to customers in India and other countries. To meet the needs of both residential and commercial customers, Crompton offers a wide range of electrical products such as fans, geysers, air coolers, kitchen appliances and pumps, among others, which are known for their durability efficiency and performance.

Premiumisation trends, pent-up demand and policy initiatives have all contributed to robust growth in the ECD segment across all product categories. Crompton has retained its position as the industry leader in fans and residential pumps by expanding its product portfolio, while simultaneously achieving profitable long-term growth.

### Fans

Crompton advertises its new product line through mainstream media and digital channels, allowing the Company to bolster its market share and take the lead in the fans sector. In addition, the Company's revolutionary design has allowed it to accelerate its expansion in the premium market.

On January 1, 2023, BEE mandatory energy efficiency standards for ceiling fans were established for the first time. As a consequence, over 300 SKUs were modified at minimum cost delta and vertical ramp up of production was done to meet with these new energy rules, including design changes, certification, listing on the BEE website, and developing manufacturing capabilities.

### New launches

Crompton has successfully introduced flagship products with BLDC technology and IoT features in various product lines. This technology offers higher efficiency, longer lifespan and less maintenance. The integration of IoT sensors will result in connectivity to remotely monitor and control products, reduce energy consumption, and enhance user experience. This will increase the market competitiveness of the Company.

### Enerjion Roverr range of fans (IOT and Non-IOT)]

**SilentPro Blossom range of fans (IOT and Non-IOT)]** *This design of fan won the prestigious Red Dot award for its design and innovation in the fan category.*

In the category of ceiling fans, new aesthetic options were introduced.

### Montania

### Versa

### Lilac

Additionally, the Company has introduced Enerjion groove and Chrome air, a new line of extremely powerful fans with 28W of power consumption and options for remote control and regulator.

### Future plans

Since the Company already comply with the new BEE norms, its primary focus will be on enhancing the cost structure of transitioned products to ensure better performance, and ensuring that all future launches comply with industry standards.

### Pumps

Marketing initiatives such as on-ground marketing, print media, and outdoor advertising assisted the business in maintaining its market share. In addition, a positive brand image for residential pumps, along with BTL marketing strategies, has fueled pump business growth. In the mini pump category, which accounts for roughly 60% of the pumps business, the Company has developed a new brand architecture, elevating the Company's brand image and positioning the brand as 'contemporary'.

Crompton's plumber loyalty programme, 'Saathi', built on a technological platform is being leveraged to strengthen the position in the pumps market. Recognising the importance of plumbers as industry influencers, this programme aims to increase Crompton's market share by fostering strong relationships with this vital segment.

Crompton pumps have been named a Superbrand for the 5th consecutive year.

## New launches

The Company has launched the following products based on new brand architecture:

**Champ Plus I & II (Surefill Plus)**

**Star Plus I & II (Rapidfill Plus)**

**Master Plus I & II (Turbofill Plus)**

**Champ Dura I & II (Surefill Dura)**

**Star Dura I & II (Rapidfill Dura)**

**Master Dura I & II (Turbofill Dura)**

The Plus and Dura series were also introduced in the mini pump category.

In addition, the Company has also launched new products in the Agro category.

**2HP Centrifugal Monoblock**

**Janata Submersible Pumps (Ultima Series)**

**1.5HP Centrifugal Monoblock (Magna Series)**

**Openwell Agro Pump (Ultima Series)**

## Future plans

Crompton plans to increase manufacturing capacity and quality through their Udaan initiative. It also plans to strengthen its brand architecture for balance portfolio growth. Crompton aims to increase its visibility with increased expenditure on digital marketing.

## Home appliances

Crompton has exhibited significant success in the rising home appliances business, in addition to increasing its market share in the targeted industries. The home appliances segment has proved to be the strongest performer for F.Y. 2022-23. The diligent efforts in R&D have resulted in substantial contributions from the launch of new products. Additionally, the business has witnessed robust growth through alternate channels.

Safe Health Certificates for its water heater have been given by India Medical Organisations. In addition, BEE also authorised 58 new water heater SKUs for the new energy criteria.

## Built in kitchen segment

Crompton has ventured into the large appliance market, with an impressive line-up of chimneys, hobs, ovens, and dishwashers. This move marks a new phase in the company's business strategy, with an emphasis on diversifying its product portfolio and capturing a larger market share.

The launch of these products was carefully planned and executed, with a focus on meeting the evolving needs of consumers. These large appliances were introduced to the market after thorough R&D, ensuring that they meet the highest standards of quality and innovation.

Crompton's foray into the large appliance market marks a significant milestone for the Company, as it completes the kitchen play after Butterfly's acquisition. With this move, the Company is now in a position to offer a complete range of kitchen appliances to its customers.

The launch of these large appliances has been well received by consumers across the country. The Company's launch strategy has been effective in building brand awareness, making Crompton a strong player in the large appliance market.

Crompton's entry into the large appliances market is a testament to the Company's commitment to innovation and customer satisfaction. With a strong focus on quality, reliability, and performance, Crompton's large appliances are set to become a popular choice among consumers in India.

### Products Introduced



#### Chimneys

The Company introduced a line of chimneys featuring a silent inverter motor, intelligent auto clean, smart on, gesture control, turbo, and boost suction.

#### Quiet Pro and Senso Smart range in Chimney



#### Hobs

The Company launched built-in hobs with features including auto ignition, toughened glass, a flame failure device, a digital timer in the work burner, 3D flame technology, high-efficiency full brass burners, and premium heat-resistant metal knobs.

#### Senso safe and Optime range of built-in hobs

#### SuperSlim Tablet hobs



**Ovens**

Built-in ovens with 3D heating, multilevel cooking, rotisserie, steam plus, hot air shield, steam, and pyrolytic cleaning were introduced by the Company.

**Oven Toaster Grill****Dishwashers**

The Company introduced dishwashers with functions like hygiene wash, steam wash, quick clean, dual pro-wash, smart wash, intelligent turbo drying, and pure beam technology.

**Grand Art and Voila range of ovens and dishwasher****Other appliances**

The following appliances were introduced by the Company in the small appliance segment.

**BlendServe****Nouris Pro****Future plans**

Crompton intends to broaden its product line in small domestic appliances while also developing marketing strategies for core categories such as water heaters, mixers, and air coolers. The Company also seeks to improve customer satisfaction and after-sales network through decentralisation. In terms of manufacturing and R&D, the Company intend to continue investing in lab infrastructure and product standardisation, as well as expanding into new markets such as the solar industry. It will also focus more on enhancing business channels and building better brand awareness in priority markets.

**Lighting**

Increased advertising campaigns have led to greater brand recognition. The focus on product innovation throughout the entire product line has helped the Company to enhance its market share in the LED lighting segment. Our outdoor and IoT lighting installations and indoor ceiling lights have been a differentiating factor for the Company. Also, in the B2C segment, e-commerce platforms are playing a significant role in the expansion.

The Company has made significant efforts to enhance its product portfolio in both B2C and B2B segments. The introduction of innovative products such as the Trio and 3-in-1 series in the B2C segment has been instrumental in driving growth in the Lighting category.

In addition to its success in the B2C segment, the Company has also made significant progress in the B2B space, in the distribution of lighting. The Company has been successful in gaining big clients which has helped boost its market share in the B2B segment. The Company has also undertaken portfolio rationalisation and cost actions in the B2B segment to become more competitive.

With a focus on product innovation, cost efficiency, and portfolio optimization, the Company is well-positioned to continue its growth trajectory in both B2B and B2C markets, leading to improved financial performance in the years ahead.

**New launches**

Crompton has launched a wide range of products in its consumer as well as professional lighting segments.

**Consumer lighting segment****Dynaray series of LED lamps****Light Buddy Innovative Night Lamp with charger function****3-in-1 Laser Ray Neo Battens****Copper and Galaxy Rope lights****Professional lighting segment****Wanderer Pro Streetlights****Wanderer Plus Streetlights****Aplomado Pro series of Streetlights, Innovative IP65 rated****Techlita Battens****FLOGA in the flameproof space**

Additionally, the Company has introduced a full new FLOGA range of premium flame-proof luminaries, including floodlights and high bays.

## Future plans

The Company intends to revive growth in B2C Lighting by refreshing existing portfolio, fill product gaps in offering, introduce value added products, establish direct dealer portfolio & also enter the semi decorative segment. On B2B side, it plans to introduce a new & dedicated traderange for Indoor & Outdoor lighting. It also intends to optimise costs by resorting to more inhousing & reduction in total delivered costs.

## Standalone financial performance

Ratios	2022-23	2021-22
Debtors Turnover Ratio	10.98	11.14
Inventory Turnover Ratio (on Cost of goods sold)	7.10	7.17
Interest Coverage Ratio	7.26	23.81
Current Ratio	1.59	2.30
Debt Equity Ratio	0.32	0.63
Operating Profit Margin	11.56%	14.16%
Net Profit Margin	8.08%	10.88%
Return on Net Worth (RoNW)*	17.96%	27.13%

\*RONW is lower due to increase in shareholders fund over the years on account of profits accumulations

## Debt summary

Particulars	(₹ in Crore)	
	2022-23	2021-22
Gross Debt	922.18	1,555.25
Net Debt	874.38	651.47
Total Equity	2,838.97	2,455.66
Gross Debt to Equity ratio	0.32	0.63
Net Debt to Equity ratio	0.31	0.27

## Consolidated financial performance

### Key highlights of financial performance

Particulars	2022-23		2021-22	
	Amt (₹ in Crore)	% to Revenue from Operations	Amt (₹ in Crore)	% to Revenue from Operations
<b>Revenue from Operations</b>	<b>6,869.61</b>	<b>100.00%</b>	<b>5,394.11</b>	<b>100.00%</b>
Material Costs	4,680.35	68.13%	3,701.78	68.63%
Employee Benefit Expenses	540.80	7.87%	362.39	6.72%
Finance Cost	109.18	1.59%	35.31	0.65%
Depreciation & Amortisation Expenses	115.92	1.69%	42.28	0.78%
Advertisement & Sales Promotion	206.48	3.01%	89.45	1.66%
Other Expenses	671.51	9.77%	471.04	8.73%
<b>Total Expenses</b>	<b>6,324.24</b>	<b>92.06%</b>	<b>4,702.25</b>	<b>87.17%</b>
Other Income	66.78	0.97%	72.65	1.35%
Exceptional items	-	0.00%	12.97	0.24%
<b>PBT</b>	<b>612.15</b>	<b>8.91%</b>	<b>751.54</b>	<b>13.94%</b>
Tax Expense	135.75	1.98%	173.16	3.21%
<b>PAT</b>	<b>476.40</b>	<b>6.93%</b>	<b>578.38</b>	<b>10.73%</b>

## Research and development (R&D)

Crompton truly values innovation and strives to constantly stay ahead of the curve. The Company understands that investing in R&D is key to ensuring long-term success and meeting the evolving needs of consumers. To that end, Crompton has established a cutting-edge Innovation & Experience Centre in Mumbai, with a design studio, that houses state-of-the-art equipment and software to accelerate consumer-centric innovations.

Crompton has a robust and well-defined process for building and launching new products and innovations that puts them ahead of their competitors in terms of consumer features, experience, and performance.

The New Product Development (NPD) teams are dedicated to each business segment and work on 12-18 month roadmap, ensuring that product delivery is always ahead of the curve. The Company uses a stage-gate process to streamline stakeholder participation and enhance the success probability of NPD projects. In addition, the innovation process includes conducting open innovation programmes within and outside the organisation to develop a pool of ready ideas that can be integrated into future products. They work with academia, startups, and their central R&D team to build scalable technologies and platforms that align with emerging consumer trends and needs.

[For more information, refer Intellectual Capital of the IR on page 77]

## Marketing

Crompton had a fantastic year, with a strong focus on the Southern region. The Company has concentrated more on its digital marketing campaigns and activities across various touchpoints to increase customer awareness of its newly launched products.

Since 2019, there has been a 140% rise in website traffic. During the year, the Company's website had over 8.3 million visitors, much above the industry average of 4 million. Crompton also has the highest social media interaction rate in the industry and presently occupies the top position on Google search results.

[For more information, refer Intellectual Capital of the IR on page 95]

## Sustainability

The Company strives to adopt eco-friendly and environment-friendly methods across its facilities. It endeavours to simplify its operations by using an adequate level of automation. Crompton goes for ecological packaging and uses biodegradable plastic to avoid using thermocol and asbestos in their packaging methods. In order to preserve water, it has zero wastewater facilities at all of its manufacturing locations.

[For more information, refer Natural Capital of the IR on page 116]

## Supply chain

Crompton has a robust distribution network, with Twenty One (21) warehouses and Six (6) central warehouses spread across India to bolster its distribution network. In addition, the business intends to capitalise on the chance to operate in the South in order to optimise the supply chain and plan for future growth.

The Company has a robust supplier onboarding process which involves a comprehensive screening procedure that evaluates potential suppliers based on their capability, quality, performance and ability to deliver on time. It also assesses their compliance with legal, environmental, health and safety guidelines and their willingness to participate in the Company's sustainable supply chain management programme.

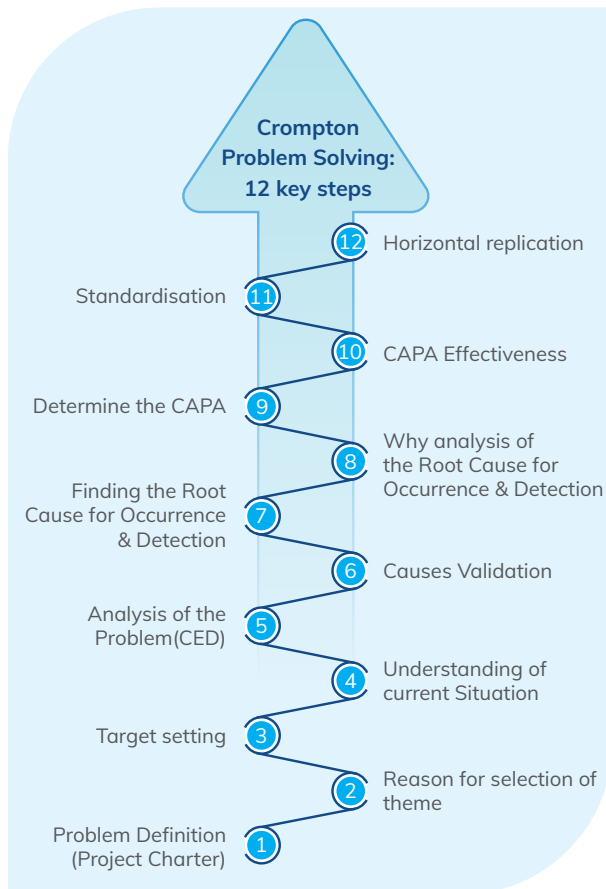
[For more information, refer Manufactured Capital of the IR on page 74]

## Quality

Crompton is dedicated to upholding high standards of quality across its operations, and has implemented a range of initiatives to enhance its operational excellence. These include the 5S methodology, Quality Circles, Daily Work Management, Glass Wall, and Structured Problem-Solving programmes. These programmes center around optimising workplace management practices, engaging frontline employees, streamlining daily operations, displaying key performance metrics, and solving complex

challenges through cross-functional collaboration. By prioritizing these initiatives, the Company is able to maintain a culture of continuous improvement and drive sustainable growth.

[For more information, refer Manufactured Capital of the IR on page 74]



## IT

Crompton has always relied on information technology to carry out complex and diversified commercial activities. The Company has begun the next phase of its digital transformation in order to acquire a competitive advantage in the market. As communication channels are opened up by technology, connecting with others is becoming quicker, simpler, and more fruitful. Crompton is aggressively improving its data privacy and security layer in response to rising cyber security risks.

## Opportunities

### Technological advancement

Consumer preference has shifted towards more complex IoT-enabled consumer products as technology has improved. Rating regulations have also become more stringent. The Company's ability to develop induction motors at a reasonable

price to meet those regulations will provide an edge to the Company in this competitive business environment.

### Diversity in shipping options

Quick and free shipping are becoming increasingly popular in the consumer electronics business as customer lifestyles evolve. Crompton's increasing digital contact with its channel partners will enable the company to adjust to shifting industry demands. Additionally, the Company's increased investment in supply chain efficiency will bolster its operations.

### Energy-efficient products

As environmental awareness grows, so does the need for sustainable and energy-efficient technology. By meeting these industry needs, the Company's strategic product portfolio will help it become more prominent in the market, thereby reducing the environmental effects of greenhouse gases.

## Threats

### Intense competition

Many established businesses and new entrants vying for market share in the consumer appliances industry, which is marked by a high degree of competitiveness. This results in strong pricing intensity, diminished pricing power, and increased marketing and advertising expenditures.

### Economic conditions

Changes in economic conditions, such as inflation or recession, can have a detrimental effect on consumer spending and the demand for consumer appliances. This can result in decreased sales and revenue for businesses within the industry.

### Technological advancements

The consumer appliance sector is in a perpetual state of technological innovation. Failing to keep up with these developments might result in a loss of market share and income for older products.

## Risk management and mitigation

To safeguard the interests of its stakeholders, the Company has implemented a comprehensive risk management framework to identify, analyse and manage business risks. The foundation for Crompton's risk management and governance is a strong and well-built internal financial control system. The Company's risk management framework focuses on ensuring that risks are recognised and managed in a timely and reasonable manner from a top-down to the bottom-up approach, and is kept flexible to adapt to evolving business requirements.

The dual goal of Enterprise Risk Management is to mitigate the adverse impacts while also seizing market opportunities in order to sustain corporate development and retain a competitive advantage in the industry.

#### Risk management committee



[For more information, refer risk management section of the IR on page 46]

#### Cautionary statement

This document contains statements about expected future events, financial and operating results of your Company, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties.

There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of Crompton's Intergrated Annual Report F.Y. 2022-23.