

May 16, 2022

Listing Department

National Stock Exchange of India Limited

Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051

Department of Corporate Services -Listing

BSE Limited

Phiroze JeeJeebhoy Towers,
Dalal Street,
Fort, Mumbai – 400 001

Trading Symbol: ORIENTELEC

Scrip Code: 541301

Sub.: Transcript of Earnings Call for the quarter and year ended March 31, 2022.

Dear Sir / Madam,

In continuation to our earlier letter dated January 21, 2022, filed in terms of the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding participation of the management of the Company in an Earnings Call, to discuss the Audited financial results of the Company for the quarter and year ended March 31, 2022, scheduled for Wednesday, May 11, 2022 at 10:00 AM (IST).

In this regard, transcript of the aforementioned Earnings Call is attached herewith. Further, the said transcript is also available on the website of the Company.

You are requested to take the same on record.

Thanking you,

Yours Sincerely,

For **Orient Electric Limited**

Hitesh Kumar Jain
Company Secretary

“Orient Electric Limited Q4FY22 Earnings Conference Call”

May 11, 2022

**MANAGEMENT: MR. RAKESH KHANNA - MANAGING DIRECTOR &
CEO, ORIENT ELECTRIC LIMITED
MR. SAIBAL SENGUPTA – CHIEF FINANCIAL OFFICER,
ORIENT ELECTRIC LIMITED**

MODERATOR: MR. DHRUV JAIN – AMBIT CAPITAL

Moderator: Ladies and gentlemen, welcome to Orient Electric Limited 4QFY22 Earnings Conference Call hosted by Ambit Capital.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes, should you need assistance during the conference, call the signal operator by pressing “*” then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you. And over to you sir.

Dhruv Jain: Good morning everyone. Welcome to Orient Electric’s 4QFY22 Earnings Call. From the Management side today we have with us Mr. Rakesh Khanna - Managing Director & CEO and Mr. Saibal Sengupta - Chief Financial Officer. Thank you. And over to you sir, for your opening remarks.

Rakesh Khanna: Good morning, everyone. This is Rakesh Khanna. Thank you all for joining us for our full year end and quarter results discussion. I hope everyone is keeping in good health. We are not letting our guards down and all precautions are taken to ensure employee well-being.

FY22 posed several challenges to the business intermittently due to Covid disruptions and geopolitical disturbances. Despite that, we have managed to navigate through these upheavals.

The company delivered an overall resilient performance for the FY22 and posted an aggregate revenue of 21% year-on-year, under challenging demand and operational conditions. As lockdowns receded and vaccinations permuted, people's lives started to return to normal gradually. As a result, customer sentiments improved and we experienced encouraging revival for the demand for electrical durables.

For Q4FY22 our channel partners, traditional stock filling of fans and coolers for ongoing summer season fell short of expectations. Negative sentiments arising from Omicron wave caused them to postpone their buying decisions. On the other hand, our Lighting and Switchgear segment has been performing very well and witnessed good momentum. With a double digit growth both in top-line and bottomline, this segment delivered creditable performance. Clearly, our strategic efforts in the recent past are yielding great traction within this segment.

FY22 was another great example showcasing our abilities for leveraging our brand capital and our distribution strengths. We are continuously implementing exciting market activation programs and expanding our geographical reach via our vast distribution network.

FY22 further witnessed beginning of OEL’s footprint into Southern parts of India and the Eastern parts of India. On the distribution front, we have integrated its digital initiatives into its overall distribution framework, which is increasing the adoption on ground and started giving market insights. The company transitioned its distribution approach for its fan segment in the

target markets of Orissa and Bihar, with the direct to dealer approach from its traditional approach of selling via master distributors. This approach is assisting in increasing Orient's market share in these underpenetrated areas.

The main area of concern for FY22 and Q4 was relentless inflation in commodity prices. As you all know, the increase in commodity prices has kept margins under pressure since Q1FY22 and continued until year end. However, during Q4FY22, the company decided on taking aggressive price increases on the back of steep cost increase to protect the gross margins.

Besides the favorable swings in consumer luminaires and switches, enabled higher gross margins. All this has maintained the overall gross margin of the company and a steady state quarter-on-quarter at around 28%.

While currently raw material prices are holding due to global demand supply situation, inflation is expected to continue over the medium term. Therefore, gradual price revisions and systematic cost reductions is being actively worked upon to cushion the inflationary impact.

The ECD segment which is home to over appliances and finish business is a significant purchaser of such affected commodities and was therefore impacted the most. The Lighting and Switchgear segment, which is less connected with the vagaries of commodities remains minimally impacted.

On the expenses front, our other operating costs also saw an upward trend during Q4 and FY22. As operations resumed normal pre-Covid levels ancillary costs, such as distribution, marketing, and travel which were essential to drive business growth came back into the system.

Looking at our working capital, as of 31st March '22 it has increased by 17 days from a disproportionately eroded days in the previous fiscal year levels. However, due to better working capital management, the working capital days has steadily been improving from 47 days in Financial Year 2020 to 28 days in Financial Year 2022. Readiness of stocks in anticipation of seasonal demand, coupled with negative sentiments of price increase and high challenge inventory resulted in higher yearend inventory. We expect the overall working capital requirements to continue reducing gradually over the years.

The revenue from our Electrical Consumer Durables segment grew overall by an impressive 19% year-on-year for the full Financial Year '22 period even though it dropped by 11% year-on-year in the 4th Quarter of Financial Year '22. The negative sentiment surrounding the Omicron wave and the Eastern European conflict during the quarter ended March '22 kept the demand for ECD segments stagnant until mid-March. However, secondary sales continued unabated as anticipated, which resulted in inventory drawdown on the distributors front as well as helped maintaining market shares. With concerns of Omicron variant reducing we hope that the Quarter 1 would be more optimistic and the demands will pick up.

In ECD segment, exciting new products were introduced by consumer insights. Company expanded the BLDC range fans with models like i-Tome, i-Falcon, Eco-Tech Pro. New range

was introduced in decorative fans portfolio with models like Jazz Art and Falcon Deco. Glassline water heaters and modular metal coolers were introduced in the appliances categories.

Our Lighting and Switchgear business has been picking up very well due to multiple years of strategic efforts. With every passing year, this segment has been increasing the share of the Company's total revenue. For FY22 I am pleased to inform that its share in total revenue now stands at 27%. FY22 for the Lighting and Switchgear business grew impressively. For the quarter this segment delivered strong growth of 15% YoY. The B2C segment continued to display encouraging traction, led by consumer lamps and luminaire enjoying robust demand from home, small offices and showrooms. In the B2B segment, both private and government business inquiries have increased and order bookings have started. Greater attention is being given to the tender business within the infrastructure sector. Multiple bids are being sought after by NHAI highways, Street Light National Program, the Railways and by the smart cities. The government's push on many of these projects makes the outlook for tender segment of the business look promising.

Furthermore, we are very optimistic about facade lighting range with proven designing strengths and enhanced the capability to deliver, which has resulted in prestigious installations like the 4-kilometer-long Dwarkadhish Bridge, the Bhakra Nangal Dam and the Aligarh Smart City. Besides, during the year a bouquet of new products were launched like Emergency LED Batten, decorative lights and others.

It is encouraging to see our switchgear business gaining traction and spreading its wings with portfolio expansion and channel expansion into domestic and international markets. Company's new range of switches catering to mass premium segment is being well received by channels and consumers alike and volumes continue to pick up pace each month.

Going forward the change in product mix, channel mix, gradual price hikes, easing of commodity prices and new product launches should allow us to improve our margins from present levels in the medium term.

We have taken our focus on projects to speed up Sanchay which is our cost reduction program for a total cost outing. Ecommerce to establish Orient as a front runner in this growing channel and GTM for gaining shares in trade channel. We prepare ourselves for the coming omni-channel phygital future.

We are initiating the project of Greenfield plant in Hyderabad, which is expected to be commissioned towards the end of Financial Year '23. This will help us expand our premium product portfolio within ECG division, further improving the quality of our earnings over time.

As I mentioned in my earlier calls, we have continued to invest in our long term strategic plans, cost control measures, improved efficiency in production, enhancing trade partnerships, and empowering channel partners, which will enable us to grow faster than the market. Most

importantly, company continues to reinforce its consumer centricity ethos with tangible actions to fold up our vision and deliver sustainable growth. This will keep Orient as a highly relevant player in the years to come. On this note, I hand it back to you Dhruv.

Moderator: Thank you. Ladies and gentlemen, we will now begin with a question and answer session. The first question is from the line of Bhargav Buddhadev from Kotak. Please go ahead.

Bhargav Buddhadev: My first question is on Orissa and Bihar we have adopted this direct dealer approach. So, is it possible to sort of elaborate a bit in terms of key positive trends that we are seeing here and whether this model is replicable in other states?

Rakesh Khanna: We have taken up these two markets for going direct. As I have always maintained that we have a very strong base of master distributors who bring phenomenal strength to us in the states, where they have been, the presence has been since even generations and the kinds of relationships that they enjoy is phenomenal. However, there are states where we have seen that there is underpenetration for various reasons. And in these states we have decided that we will go direct to the to the market.

Both the states are showing very encouraging results. And it's a little early to make a statement about how it will finally shape up. But all I can tell you is that within the last six months that we have actively started setting up these states the results are very encouraging and we are happy with our decision.

Going forward, I will not like to make any clear statement about it, but I can assure you that wherever the penetration is low, we will take a view on that and if required, we will make a complete change in the go-to-market strategy in that state.

Bhargav Buddhadev: My last question is, you mentioned the market share gains in Southern states in fans. So, is it possible to sort of quantify a bit in terms of how has been the market share gains and has been increase in the channel footprint?

Rakesh Khanna: Unfortunately, there is no good syndicated data that I can rely on and make that statement. What I can tell you is that of the total growth that we have achieved a significant part of the growth has come from South markets.

Bhargav Buddhadev: And how has been the increase in the channel footprint?

Rakesh Khanna: The channel footprint Bhargav, earlier also I maintained that channel footprint we do not measure by the number of retail counters we open because our reach is already very large. What is important is how many direct number of counters are we now started influencing and how are we ensuring that our influence on the counter is steadily increasing and the direct reach is increasing. So, our direct reach is continuously increasing. And we are adding in the range of 10% to 20% in every state in terms of the number of direct reach to the retailers.

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

Renu Baid: My first question is to understand broadly, if we see the headline performance of ACD seems to be much softer than the other players who have reported results and your comments also on the March uptake from channel has not been too encouraging. So, if you can give us some inputs in terms of how has the demand panned out in the last 45 days of the summer period, especially April/May? And is the channel inventory as well as the inventory which the company has been stocking has that been eased out? Also, if you could give us some flavor in terms of overall in the fan segment where there has been under recovery on the cost side, what has been the kind of price actions and by when do we expect to recoup our margins in this portfolio?

Rakesh Khanna: Let me answer it in two parts, first is the margin and second is the volume. If you would have noticed, we have been able to implement price increases significantly more than the competition during this particular quarter. And we believe that it's important to finally be able to pass on the cost increase to the consumer, because from the consumer side, I don't think there is much reluctance considering the fact that it has a small share of the consumer's wallet and the consumer's total domestic spend.

However, there are competitive pressures which will influence our decision and timing on the price increases. With that, we have to also see how the lag in price increase with respect to competition happens. We took a lead during Quarter 4 in terms of price increase with respect to competition, we sustained it. We believe going forward in Quarter 1, this pressure will ease out and overall price increases will happen in the industry. However, April onwards we are seeing the traction building up much more stronger.

And what we also measured is the secondary growth that is the real sale to the consumer. And the real sale to the consumer through our market checks has been happening unabated. And that gives us confidence that it is in the interest of the entire industry that the costs are passed on to the consumer. So, currently, we see a traction building up April/May and the price increases should happen and also the commodity should start easing, some of the commodities we are also seeing has started easing but it's still volatile.

Moderator: Thank you. The next question is from the line of the Praveen Sahay from Edelweiss Financial. Please go ahead.

Praveen Sahay: So, I will just follow on the last participant question. Can you able to quantify the price hike in the fan, and as well as contribution of a premium fan, for a quarter and the year?

Rakesh Khanna: So, the price hike during the year has been in the range of 15% to 18% with a cost increase, which has been in the range of 18% to 20% and that actually tells the difference in the gross margin that has happened. As of now, we need to increase, if we have to go back to our margins, it is very simple that you understand how much of percentage increase we should get to regain the desired margins that has historically been the Orient's and the industry margins.

Praveen Sahay: And the premium fan.

Rakesh Khanna: The premium fans is again, it's a moving target as to what we decide as a premium and industry still not with a single definition of premium. Because most of the industry talks about premium from Rs. 3,500 onward fans or Rs. 3,000 onwards fans, whereas as the prices keep on increasing, the categories that start moving into price bands keep on changing, and therefore it appears that the premium is growing. Actually speaking, the premium is the top-end fans as we define and we start from our Aero Series onwards, which we call the premium fans. That's in the range of 10%.

Moderator: Thank you. We will move on to the next question, that is from the line of Nitin Arora from Axis Bank. Please go ahead.

Nitin Arora: I am sorry, I am just trying to add up things here. So, what we took a call, what I have been able to understand from your opening remarks, is we took a call of not sacrificing gross margin at different product levels, and you increased prices rather than chasing for growth, at least at the primary level. Secondary, as you said the growth was still taking place, which led to the lower inventory in the channel, is that correct?

Rakesh Khanna: Yes, Nitin.

Nitin Arora: So, the external environment in Q1 would not be indifferent, right, I mean, in the medium term, the competitive intensity would be there. And again, if our call is maintaining the gross margin, then you would go for price hike and reduce the inventory part, or let's say, look for a lower volume growth. So, I just wanted to understand, is industry growing very significantly higher, that's where the confidence is coming that things will eventually fall in place from Q1 onwards. If you can help us on the industry growth wise, even category wise, like you mentioned about a switchgear or fans and plus the rating change, which is coming up, do you see a pre-buy there, that's why the confidence is coming. Just if you can articulate that better it will be helpful. Thank you, sir.

Rakesh Khanna: A brilliant question, Nitin, I must say. I have confidence in the industry and this space. And this particular industry and space has always shown a lot of wisdom in terms of protecting the margins and the shareholder's wealth. And therefore, I am reasonably confident that in some time the cost will get passed on and the margins across the industry will come in place.

Yes, you are right. There is always a lag between different players, because it's an independent call and one or the other player has to take a lead. But again, if you will see the historical movements, the fact that so much of price increase has happened across the industry, all players have moved with a lag of one month plus or minus that has happened, and it will continue to happen. I don't think that situation will happen where one player takes the price increase and everybody else doesn't that's not likely to happen.

And our response to the market will also be aligned to how the overall industry is moving. And we will ensure that while we protect our margins, we always keep our eyes on the volume also.

Moderator: Thank you. We will move on to the next question that is from the line of Rahul Gajare from Haitong Securities. Please go ahead.

Rahul Gajare: I just have one question, could you discuss your capacity utilization in the fans, and the capacity that you will add at your new Hyderabad facility, and which and other products that you have planned at this new facility?

Rakesh Khanna: Rahul, currently our capacity utilization is of course more than 100%, and we are really stretching on our capacity. We are forced to go outsource some of the fans as of now. The capacity in the new Hyderabad factory will start with at the average level of around 4 lakh fans per month, which will steadily increase. We will also move the capacities between different factories to ensure that there is a right balance between all the three factories. And it will also be catering to the increased demand. We are going to be looking at new models, new lines, a lot of automation, lot of improvement in quality, getting to international levels for the European markets etc., where we need very high level of finish. So, this new factory is going to be in the direction of future growth..

Rahul Gajare: And you are going to start with 4 lakhs, but what is the peak capacity that you are thinking about?

Saibal Sengupta: Just a small clarification, what Mr. Khanna mentioned just now about the capacity of 4 lakhs. Let me tell you the utilization today this 100% is at the peak levels, and you would appreciate that it normally swings in-between peak and lean, the lean comes down to 40% to 50% level. And yes, whatever these 4 lakhs per fan is only the starting position, it will always be a graded upswing of capacity building. And to start with this is the peak capacity that was out.

Rajul Gajare: 4 lakhs is going to be the capacity.

Saibal Sengupta: Yes.

Moderator: Thank you. The next question is from the line of the Devansh Nagotia from SIMPL. Please go ahead.

Devansh Nagotia: In terms of, I mean, the distributor arrangement that we mentioned of how we have changed in Orissa and Bihar. I think we had similar issues with Gujarat probably one or two years back. So, just trying to understand what is the overall thought process between having a master distributor and doing a go-to market?

Rakesh Khanna: Devansh, I am not sure which issues you are talking about in Gujarat. Gujarat has been very stable. It has been performing well for us. We have a very strong distributor over there. And during the sad demise of one of our distributors, the switchover was very smooth to one of earlier

distributors. And it continues to have a very strong relation in the market. So, I am not really sure on which particular aspect you are talking about.

But let me tell you one thing that whichever market we find that the current distributor is not able to deliver the results that we want, we are open to make a change. We will ensure that we get full penetration in the market as desired. If we get a very strong master distributor, we will take a very strong master distributor, but since these are very few people in the market, who have that kind of strength. We will go directly in the markets where we believe that's better for the market.

Devansh Nagotia: And I mean how does, let's say since you mentioned these underpenetrated areas is where we are trying to go-to market and how would like say margins and working capital fair, as in having a distributor and going directly, some direction if you can give.

Rakesh Khanna: First thing, it's not going to effect on the working capital, working capital is likely to remain similar, not much change. In fact, in the new markets, we are entering with far higher discipline because we are starting on a clean slate. So, we are starting with much superior discipline. So, we believe that our working capital is likely to improve in these markets.

And in terms of market penetration, because we are going directly, access to the market and to the retailers is closer, that will also, hopefully help us to build much stronger relation and build market shares. As I said, the initial six months have been very encouraging. We are very happy with the performance in the East markets.

Devansh Nagotia: And in terms of margin, let's say when we are not paying the distributor margin, master distributor margin, and the cost for us to actually go and distribute at retail level. So, how does that balance happen?

Rakesh Khanna: It's likely to remain neutral. Because the distributors, they take up a lot of cost, which we will start incurring directly. However that margin is saved. It's likely to remain neutral, a little plus minus we will see how it goes. The idea is not about cutting the cost and cutting corners here or there. The idea is about improving the distribution; improving the spread and reach, the quality of distribution, quality of service. That's the idea.

Devansh Nagotia: If you can just elaborate on the new product launches that you mentioned, especially in terms of Cooler and Appliance category. What is the strategy on these new launches and the thought process that we have at the moment.

Rakesh Khanna: Devansh, we have always been known for the innovative launches that we have been bringing. Product portfolio is very important and to constantly keep on exciting the customer with new products, new finish is very important. One of the areas where we are working hard to quickly expand the portfolio is in power efficient fans. This is a category which is going to swing phenomenally in some time, on both sides, be it in terms of the range, the looks and the feel and

performance of these fans. The market is changing very fast. And this is where we are bringing in very quickly new models.

Metal cooler is another area where we are confident but that's going to give us results. And therefore that's one area where we are trying to bring in more models, although we are being very cautious about slowly bringing in new models and ensuring that they get established well.

Lighting is an area where we are constantly expanding be it in façade, be it in street light, be it in professional light, we are constantly expanding there.

Moderator: Thank you. The next question is from the line of Aakash Javeri from Perpetual Investment Advisors. Please go ahead.

Aakash Javeri: In your opening remarks you mentioned about expanding your BLDC range of fans. And using the previous participants answer you mentioned that one big segment for you would be power efficient fans. So, my question was it, do you see the fan market turning entirely to BLDC in the coming years? And the follow-up question to that would be how has the cost of technology evolved over the last few years for fan?

Rakesh Khanna: So, Aakash, we all know that BEE rating is likely to become mandatory in some time, although government started aggressively, but for some reason they have been little slow. But since the main circular has already come, it's a matter of time that it will happen. As the awareness in consumers starts going up and we also know that consumers are very quickly becoming aware about the environment, about power efficiency, green world etc., etc. So, the swing is happening and happening at a very fast pace. Therefore it's important that we expand quickly in this particular segment. How much will shift, it depends on how quickly the cost of the BLDC fan keeps on coming down. A significant part of the BLDC fan cost is in the electronics.

Electronics historically have always got into cost reduction at a very fast speed as soon as the scale starts building up. And there is a very good chance that the same graph will be seen in this category also, and the cost will start coming down. And that's when this swing will happen. But it's a matter of time and difficult to predict how fast that swing will be.

Moderator: Thank you. The next question is from the line of Nirav Vasa from Anand Rathi. Please go ahead.

Nirav Vasa: So, as you informed that BEE ratings are expected to be applicable in the country very soon. So, according to you, what is the significant benefit which can come to the organized players at the cost of unorganized ones. So, do you foresee a scenario where in the unorganized market which is mainly operating on the price and lower price bracket that will be hit hard or how do you see this rating change impact on the unorganized peers or especially this smaller and local ones.

Rakesh Khanna: See slowly, we are seeing that the cost gap between the unorganized and organized is reducing, and that's one of the reasons why organized, unorganized are finding it difficult to stay in the market. The consumer also is becoming more involved in this particular category. There was a

time when consumer was not involved in this category and it was just a product right up in the ceiling and not able to be seen, but now the consumer is more careful, the ceiling heights are coming down, the fans are more visible, they want right brands, they want right quality, they are careful about the power consumption, they are careful about the noise. And if all the quality has to be delivered, an organized player is able to deliver it at much lower cost as compared to unorganized. So, that's where I think the swing will start happening.

Nirav Vasa: And in the initial launch of BLDC motor fans, according to you, what is the cost increase because of this BLDC thing?

Rakesh Khanna: See, we know is that a normal fan when used to cost around Rs. 1,200, the BLDC fan used to cost to the customer Rs. 3,000. So, it was more than twice the price. Today it has come down to nearly one and a half times the price, and it can steadily come down to 1.2, 1.3 times the cost. So, that's how it is working.

Moderator: Thank you. The next question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.

Dhruv Jain: I had a question on lighting. So, you mentioned in your Investor Presentation that lighting business grew by about 10% this quarter. So, I just wanted to understand what would be the price hikes that you would have taken? And if you could just break that up into the mix change that would have happened in also the raw materials things like price hikes.

Rakesh Khanna: So, Dhruv, in lighting the price hikes have been fairly nominal, not much of price hike has happened because while the commodity price went up, there were good work done by the team in terms of the circuits. And the new technology that comes in, helps us to really bring down the cost in the circuits, and not much of a price hike had to be taken in lighting.

Moderator: Thank you. The next question is from the line of Amber Singhania from Nippon India, AMC. Please go ahead.

Amber Singhania: My question pertains to the BLDC answers which you have said earlier. Just one clarification, the earlier timeline of July '22 for BEE rating, does that mean that that is not there anymore? And there will be a new timeline which will be coming in, that is one.

And secondly, so just wanted to understand from the BLDC perspective, how do you see the markets panning out in terms of, do you see that replacement demand will come in this segment significantly, because what I understand, please correct me if I am wrong, the fan is not a serious energy guzzler. So, the incentive for people who are already having fans to replace with a BLDC fans is not significantly higher at this juncture. So, how do you see that segment panning out? Is there any color from the government side that the government agencies will start replacing faster? Or how things will pan out on that and what is your view, if you can share some light on that?

Rakesh Khanna: Amber, the first thing is on the government deadline of July, not likely to happen because government has to give technically around six months notice. But now since we are already in May, it looks very difficult that July will happen. However, we are still waiting to hear from the government. Most likely a new timeline will come, that's my personal understanding.

The second is fan power guzzler, actually speaking in domestic area fans is the second biggest power guzzler in houses. We used to feel that it's air conditioners but air conditioners, heaters are not as much power guzzlers because fan runs full time. And that's why it consumes a lot of electricity.

The normal payback of a good power efficient fan is one, one and a half year that's it. So, the payback is very fast. Having said that, will everybody replace? Not very likely. Does the induction fan has its own advantage? Yes, they are a lot more rugged in that sense. But overall as the awareness starts spreading, and as the new generation coming up, is more sensitive towards the environment, the swing is happening, the swing will happen. How fast we all will see.

As far as we are concerned, we are ready with the full BLDC range. We have a very strong induction fan range and we are capable of responding whichever way the market will move.

Amber Singhanian: Okay, and is there any support from the government side or the institution, you think might shift faster to BLDC in terms of replacing because they are all old fans in the offices and the homes and all. So, is there any support which is committed by the government or given an indication on that line?

Rakesh Khanna: Government has always improved these by insisting on the Star guidelines. And in all products we have seen government has come out with Star guidelines, and thereafter leaves it to consumer awareness and preference to move into more power efficient production. And that's what is likely to happen in fans also.

Amber Singhanian: Just one last thing is, the current capacities of the old fans, is it fungible towards BLDC over a period of time when the industry moves faster to the BLDC side? Is it fungible or do we need to put up there complete and separate capacity for that?

Rakesh Khanna: You see, this particular industry is not very capital intensive. So, the shifts are not very expensive. It's fairly easy to shift. So, these costs are not huge.

Moderator: Thank you. We will move on to the next question that is from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian: In terms of market share, you are gaining market share from existing players in terms of market growth?

- Rakesh Khanna:** Yes of course, when we say we are gaining market share, this is from existing players. The market is spread out, we have a lot number of existing players in the market. And while you would see that some of the players are becoming stronger and emerging stronger and some of the players have kind of lost out. So, yes, we are gaining at the cost of existing players. Some of them are unorganized, some of them are organized. It's a mix of all.
- Balasubramanian:** In price hike you have mentioned 15% to 18% across the products, how you are related with your peers, how much you like your peers have implemented price hikes --?
- Rakesh Khanna:** You see the peers is also in the similar range. This particular quarter, the peers hike would be much lesser and that can be seen from the published results where the gross margins have got either hit or got protected. That's where it's a good way to make a check as to how much price hikes have been there by one player versus the other.
- Moderator:** Thank you. The next question is in the line that Shubham Agarwal from Incred Capital. Please go ahead.
- Shubham Agarwal:** So, just a small question with respect to the exports. Could you just comment how is the exports been this year in FY22? And given that you are already operating at 100% capacity or more than that, should we expect exports to broadly be stable for FY23 as well at the same level?
- Rakesh Khanna:** So, you have two questions, one is about the capacity and second about the exports. About the capacity as Saibal clarify, the capacity when I see 100% plus utilization, it is during the peak time. There are times when the capacity utilization is not 100%.
- The second is about the export. We continue to be the largest exporter. There are markets which are doing well for us, and there are markets which have faced headwinds, markets like Sudan, markets like Sri Lanka, they have had geopolitical issues and we are all aware and those are the headwinds. There are markets which are disturbed because of the Eastern Europe disturbance so that's also one of the restrictions. But given all that we expect the export to remain stable.
- Moderator:** Thank you. The next question is from the line of Naushad Chaudhary from Aditya Birla AMC. Please go ahead.
- Naushad Chaudhary:** Just wanted to understand in terms of our long term growth journey, if I see in last two years from Rs. 1,600 crores of top-line we have reached around Rs. 2,500 crores. And from the current base to take it to Rs. 4,500 crores or Rs 5,000 crores of business, what kind of steps the company would need to take, in terms of new category, new geography? What do you think how long will it take to, you know, to reach to those kinds of numbers to us?
- Rakesh Khanna:** Naushad, yes, you are right, we are as excited about the future growth and we have huge plans. Unfortunately, I will not be able to share all the plans with you, they remain confidential because of the various reasons. But I can tell you we are very excited about the journey. And we are very positive that the future is very good for Orient Electric.

I will tell you a few things which I have always said. In fans, we are not the number one and there is no reason why we should not be the best in the market because we have the best manufacturing facility, we are the largest exporter which means that we manufacture the best fans at the lowest cost. We have a great brand and great heritage. We have a fantastic distribution structure and therefore our ability to grow and reach to market shares comparable to the leader is very high. And that growth we should go for.

In lighting, the size of lighting industry is more than one and a half times that of fans industry. We are fairly small in lighting and there is a phenomenal opportunity to grow there. Switches, switchgears and other related products, we are very small here, but it's a fantastic market and we are gaining phenomenally good traction in this area. Appliances is very large. Ecommerce is coming up at a very fast pace. And that gives a phenomenal opportunity for us to grow at a very high rate.

So, if I have to look at all the growth opportunities in front of us, it is very exciting. And I find no reason why we should not be reaching these numbers reasonably fast. I will not be able to give you any timelines or any numbers around it, for reasons as stated earlier.

Naushad Chaudhary: But given our existing categories, you see reaching Rs. 4,000 to Rs. 5,000 of top-line is not a difficult task for us.

Rakesh Khanna: Naushad, I gave you all the mathematics, just put the mathematics on table and you will find that these numbers are so much achievable. And that's what makes the whole organization so excited about the journey ahead.

Naushad Chaudhary: Connected to this question only, qualitatively if you see your next three, four years journey, do you think it can be more exciting than what you have experienced in past four or five years or how do you see your next three, four years in terms of your excitement towards the business and growth?

Rakesh Khanna: Naushad our journey, a few years back has been very exciting, because that has brought us here. Last two years because of COVID, yes, there has been a very strong headwind. But as the COVID headwinds go away, we believe that the journey ahead will be very exciting.

Moderator: Thank you. The next question is from the line of Harsh Dhanuka from Ncube Capital Partners. Please go ahead.

Harsh Dhanuka: Just one question in terms of the air coolers, how are you seeing the demand and in terms of the inventory, which was a challenge in the kind of channel last year. Has those inventory been out? And do you see a normal year for FY22/FY23 in terms of booking for the next year?

Rakesh Khanna: I am hopeful Harsh. The entire trade has actually gone into kind of a shell, because after nearly three years, the summers did not happen well. But this year, as the summer continues to be

promising, I expect the shift in the trade to return back and the entire booking process to be full during the period July onwards for the whole year.

Moderator: Thank you. The next question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.

Rahul Gajare: I also have a question connected to air coolers. Could you give us a sense on the size of the market? How shift from unorganized to organized has picked up? Which are the brands which have you know gained market share? And specifically for your company in ECD, how much is the sales of air cooler contributing? And what is your market share in the air cooler market?

Rakesh Khanna: First thing I don't think I would want to talk about the competition and which player is doing what in this call. But we all are aware that the cooler market is highly polarized in favor of one or two top leaders who garner a significant share. The rest of the players have not, had started their journey around three years back, but since that time COVID has been hitting, and the entire cooler trade has not really gained traction. We expect the market to start opening up now and given one, two good summers the whole landscape can shift significantly, in favor of the new players also.

As far as we are concerned, we continue to remain hopeful. We will continue to build on coolers as a business. And this year itself we are seeing the traction to be coming back. In terms of unorganized that continues to be in the range of around 75% or so of the market remains unorganized, which also gives us an opportunity that the future for organized players is will be good. However, a lot of work needs to be done in this particular space because it's not easy to compete with unorganized given their cost structure versus the organized cost structure. And organized players have to bring the cost down to meet that unorganized market. So, I think it has its own challenges, but the opportunity is large.

Moderator: Thank you. The next question is in the line of Nikhil Kale from Axis Capital. Please go ahead.

Nikhil Kale: My question was, we understand that the organized, unorganized market in fans is now maybe 15% to 20%. So, larger organized players now have kind of gathered quite a bit of market share. So, growth going forward would be largely driven by premiumization and ESP increases, is that understanding correct? And also given that the headroom to gain market share from unorganized players has now kind of gone down, would it be fair to assume that even margins could be under pressure given increasing competition?

Rakesh Khanna: First thing, the growth is not going to come at the cost of unorganized play. I think the excitement that I talked about in this space is that the growth will come from the consumers themselves, the reason being the very strong shift in consumer preference, awareness and involvement in the product category.

The replacement cycle, which at one time used to be 25 years or so, today, people are willing to replace the fan every time they are refurbishing the house. It's a huge shift. The kind of the

growth in the decorative segment, in the BLDC segment, in the premium segment is disproportionately high. And therefore, I believe that in the coming few years, the growth will continue to be high in fans, as a segment.

And on the margins, I find no reason for margins to go down because this particular space and industry has always ensured that the margins for the industry across are protected. There is a competitive pressure, but it has never been at the cost of margins. And I remain very confident about this industry. And therefore the margin should not get hit.

Moderator: Thank you. Ladies and gentleman that was the last question, I now hand the conference over to the Management for their closing comments.

Rakesh Khanna: Thank you so much. Thank you Ambit team for organizing this. And I would like to thank all the participants for continuing to show your interest in Orient Electric. I can assure you on behalf of the entire senior leadership of Orient Electric that we remain very excited and committed towards this business. And we all see a very beautiful future ahead of us. It's an exciting space. The space is evolving very fast. It's growing fast, and it poses great and tremendous opportunities in front of us. Thank you once again for keeping faith in us. See you next quarter. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Ambit Capital, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.