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May 01, 2025

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051

Trading Symbol: ORIENTELEC

Department of Corporate Services -Listing
BSE Limited
Phiroze JeeJeebhoy Towers,
Dalal Street,
Fort, Mumbai – 400 001

Scrip Code: 541301

Sub.: Transcript of Earnings Call for the quarter and year ended March 31, 2025.

Dear Sir / Madam,

In continuation to our earlier letter dated April 25, 2025, 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, 2025, scheduled for Friday, April 25, 2025 at 04:30 PM (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 above information on record.

Thanking you,

Yours Sincerely,

For **ORIENT ELECTRIC LIMITED**

RAVINDRA SINGH NEGI Digitally signed by RAVINDRA SINGH NEGI Date: 2025.05.01 22:56:06 +05'30'

Ravindra Singh Negi
Managing Director & CEO
Encl.: as above

"Orient Electric Limited

Q4 & FY '25 Earnings Conference Call"

April 25, 2025

MANAGEMENT: MR. RAVINDRA SINGH NEGI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ORIENT ELECTRIC LIMITED
MR. ARVIND VATS – CHIEF FINANCIAL OFFICER – ORIENT ELECTRIC LIMITED
MR. SAMBHAV JAIN – HEAD, INVESTOR RELATIONS – ORIENT ELECTRIC LIMITED

MODERATOR: MS. NATASHA JAIN – PHILLIPCAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to the Orient Electric Limited Q4 and FY '25 Earnings Conference Call hosted by PhillipCapital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Natasha Jain from PhillipCapital. Thank you, and over to you, ma'am.

Natasha Jain: Thank you, Manav, and hello, everyone. I Natasha Jain, on behalf of PhillipCapital welcome all of you to Orient Electric's 4Q FY '25 Earnings Call. From the management today, we have Mr. Ravindra Singh Negi, Managing Director and Chief Executive Officer; Mr. Arvind Vats, Chief Financial Officer; and Mr. Sambhav Jain, Head of Investor Relations.

I would now request the management to give their opening remarks, post which we shall open the floor for Q&A. Thank you, and over to you, sir.

Ravindra Singh Negi: Thank you, Natasha, and thank you, Manav. Good evening, everyone. We are delighted to welcome you all to Orient Electric's Q4 and financial year '25 Earnings Conference Call. Thank you for taking the time out to join us today. We hope you've had the opportunity to review our financial results and earnings presentation, which are available on the stock exchanges and our company website.

As we reflect on industry's performance for the quarter 4, it is very evident that this quarter was shaped by unique challenges and opportunities that came across segments. A mild winter though prolonged, impacted demand for heating products and delayed summers impacted pre-season sales for highly penetrated fans category for the industry. The same trend was not observed for underpenetrated categories like coolers, with prefilling of channels seen in anticipation of a strong summer. March, however, recorded a better exit trend, particularly for summer products like fans, with channel filling currently underway for most brands across the industry.

Moreover, the quarter experienced fluctuations in key commodities such as copper and aluminum with prices rising through February and March. However, it is softening now, but very much unpredictable given the current tariff wars. Pricing headwinds for the industry persisted across most categories, compressing margins, except for cables and wires segment.

Despite these headwinds, I'm glad to share that the quarter marked continued progress for Orient in strengthening our top line as well as bottom line and delivering on our strategic moves. Our strategy in action delivered impactful results across our focus areas.

1) Premiumization, which is the cornerstone of our growth strategy was strengthened by initiatives across product lines. Significant progress has been achieved with new launches in fans, expanding the contribution of BLDC and driving premiumization in B2C lighting with innovative value-add products contributing greater than 60%. Products like COBs, panels, downlighters, magnetic tracks, they are the ones which are helping us grow the value business in B2C lighting. BLDC has grown over 50% year-on-year this quarter and

over 30% on a full year basis, with our overall NPDs in fans category now contributing almost 20%. Efforts to establish a premium range in water heaters have further enhanced our portfolio. Our efforts on premiumization remain instrumental in sustaining our gross margin. Our retail visibility initiatives, Mission Orange and Project Spotlight have enhanced a touch and feel presence of premium products in stores, reinforcing our position.

2) We are increasingly balancing our portfolio as a key driver for sustained long-term growth. Our focus on expanding lighting and other emerging categories is demonstrating results with lighting emerging as the fastest-growing segment in our portfolio. Lighting has emerged as a strong portfolio balancer with impressive strides in our B2B and tender business, helping us achieve industry-leading growth with market share gains in B2C. Our B2C lighting business has registered a high double-digit volume growth for the year. We have successfully delivered marquee projects in the B2B lighting segment with an even stronger pipeline of orders, resulting in our B2B business growing by over 20% on a full year basis. Our efforts on the switchgear category, highlighted by the launch of Universal Switch NIXA, further strengthens our product portfolio. Our wire business is also picking up steadily this quarter with channel inventory normalization, infra-led pickup and new launches.

3) Our brand positioning continues to emphasize on customer-first approach. Our latest campaign for fans uses a fresh podcast style storytelling format featuring MS Dhoni and popular influencers, Kusha Kapila, and Madan Gowri for our range of BLDC fans.

4) Our initiatives on e-commerce and quick commerce with strong partnerships with Blinkit and Zepto are continuously gaining traction as key consumer-led channels with our sellout focus and market share gains. Our standout initiative for this season is our partnership with Zepto for a 10-minute delivery accompanied by a collab, which is "hawa ke saath saath, Zepto ke sang sang", effectively demonstrating our digital-first approach.

5) On the distribution front, our direct-to-market efforts in sales and service continues to expand, contributing to the revenue growth. We have expanded our DTM coverage in Kolkata, thereby completing our full presence in West Bengal and taking our total DTM states to 11 as we speak by end of Q4. Our revenues from DTM states grew high double digit for this quarter and for the full year. We have also expanded our direct service network in Delhi in Q4. We continue to explore and expand our direct presence, both in sales and service wherever we see the right opportunity. All these initiatives enable us to be much closer to the consumer and hence, serving them better.

6) Our final and most crucial pillar is the continued strengthening of our organizational capabilities. Over the last year, we've taken significant steps in this direction, including key leadership appointments. We welcomed our new CFO, Arvind, following the retirement of Saibal, our ex-CFO, and Tapas Roy Chowdhury joined us as the Head of Switchgears and Wires business, bringing a focused approach to capability building and operational scale up. We are also proud to be recognized among India's top 50 Best Workplaces in manufacturing, large category by Great Place to Work. Being recertified a Great Place to

Work for the sixth time in a row is a testament to our enduring commitment to people and talent development.

Project Sanchay underscores Orient's commitment to operational excellence and sustainable profitability. The program cuts across all functions, fostering disciplined execution and cross-functional collaboration to unlock significant cost efficiencies. This has helped us in witnessing a cost saving of INR75 crores for the financial year '25.

Operations in Hyderabad have scaled up and have strengthened our capabilities and market presence. We are now getting 50% of our TPW fan production from Hyderabad, improving our manufacturing scale and efficiency.

With these pillars in action, I'm pleased to present our financial performance for the quarter 4 and financial year '25. We concluded quarter 4 with a revenue of INR862 crores, reflecting a 9.4% year-on-year increase and a 5.5% sequential growth. For the full year, our top line reached INR3,094 crores, demonstrating a robust 10% growth compared to the previous year. This is the second consecutive year of double-digit growth for us.

Our Lighting and Switchgear segment continued to deliver an accelerated pace of growth, driven by strong momentum in both B2C and B2B space. Revenue for quarter 4 FY '25 reached INR248 crores, making a significant 13.3% year-on-year increase. This growth was driven by an industry-leading growth in Lighting segment. Within lighting, our consumer lighting business registered high double-digit growth in volumes, along with better volume to value growth trajectory. The momentum in B2B remains strong with double-digit growth in Q4. Switchgears registered a robust high double-digit growth with new NPDs focused on electrician needs and expansion of retail network, while wires registered high double-digit growth with channel restocking and demand pickup from infra-led activities. We remain confident in our ability to drive long-term growth in this business going forward. However, we need to do more to make a meaningful impact in the segment.

Turning to our ECD segment, we saw continued momentum in Q4. with revenues rising to INR614 crores, up 7.9% year-on-year and almost 10%, which is 9.6% for the financial year '25. Fans witnessed a single-digit growth despite a muted start to the quarter with channel filling for the summers in March '25 only. NPDs continue to be a focus area in fans with innovation and premiumization driving growth in the segment. Our BLDC range of fans have registered over 50% growth versus last year. Air coolers saw a robust growth of almost 33% in Q4 and about 37% for the full year basis. With innovation and consumer centricity at core, we are confident of a stronger growth across our ECD portfolio in the coming quarters, especially given the Hyderabad facility is now fully geared up for the coming years.

Our gross margins have shown stability, consistently sustaining the range of 31% to 33%, reflecting the outcome of our strategic priorities, including premiumization, channel reorganization and an optimized product mix. Our gross margin for this quarter improved by 67 basis points to 31.4%.

Our EBITDA margin was at 7.8%, an improvement of 385 basis points. Consequently, our EBITDA for the quarter was higher at about INR67 crores, up 117% year-on-year. With our strategic pillars in place, we are confident these margins are poised to improve even further with increased efficiency and operating leverage in the years to come.

Our PAT for the quarter and the financial year was at at INR32 crores and INR84 crores, up 125% and 9% year-on-year, respectively, showcasing our ability to translate all our actions into bottom line much strongly.

With our commitment to financial prudence, our working capital days stood at 26 days as on March 31.

As we look ahead, we remain confident in the opportunities across our products, product segments and are committed to navigating any challenges with agility, innovation and excellence. Our continued emphasis on premiumization, portfolio expansion, youthful and digital-first approach and distribution strategies will drive our long-term growth trajectory, keeping consumers at the core of our heart and strategy. We are confident that in the next 7 to 8 quarters, we will be closer to our aspiration of double-digit margins.

With this, I would like to open the call for questions. Thank you.

Moderator: Thank you very much sir. We have our first question from the line of Dhruv Jain from Ambit Capital. Please go ahead.

Dhruv Jain: Sir, the first question I had was that in your presentation, you mentioned you've added about 4,200 retailers on the fan side. Just wanted to understand how much more room is left in terms of your retail expansion, which could continue to drive market share gains or growth for you just through this distribution expansion initiative?

Ravindra Singh Negi: Thank you, Dhruv, for the question. And yes, the first point that I would say is that this is driving distribution and direct distribution is a key priority for us. As we speak, we would have through our MDs and our direct DTM markets, closer to about 50,000 to 55,000 retailers who we do direct. And then there are indirect retail presence that we have closer to about 80,000 to 85,000.

I think given the opportunity and the size and the industry size of, say, about 130,000-odd unique retailers in fans business, our emphasis would be to keep expanding this and that for us is a way forward. And part of that is also going direct in most of the markets that we've done there. Our numeric distribution has improved. And obviously, with that, the weighted distribution also improves.

Dhruv Jain: And the second question I had was that, obviously, over the last 2 quarters, we've seen a sustained margin improvement from Orient side, which is a great thing. But if you look at it from a 3- or 4-year sort of trajectory, we're still far away from the peak profitability that Orient had delivered.

So just wanted to understand to you that over the next 3 or 4 years, is the organization sort of in place to double its profit over the next, say, 3 to 4 years? Or is there some more work that's required and more investments that would require? If you could just spell out some of the things that you're trying to do and if it's a realistic assumption that this doubling of profits can happen?

Ravindra Singh Negi: So there are two things. One, I've spelled out in my conversation and opening remarks as well as in what are the strategic pillars that we're running. Just to summarize how is the brand going to look at. What's the premiumization that we're doing. How are we doing a portfolio balancing. It's not just fans which are driving the top line for us or our bottom line, the lighting, which is coming, and then the emerging segment of switchgears and wires, which over the next 2, 3 years, we will build capabilities and build scale there also.

In terms of margins, yes, we've seen an improvement coming in. I've also put in my opening remarks that in the next 7 to 8 quarters, we do see all our efforts, all our operating leverage to start flowing in, and we should be able to touch double digits, which would keep us at par with some of the better players in the industry. And thereon from there, we'll grow.

As far as the next 3 to 4 years plan is concerned, yes, it's in the process of getting a sign-off from the right Board and everyone. We will come back to you on this. But yes, double digit is something that we are looking at in next 7 to -- double-digit EBIT percentage is what we are looking at 7 to 8 quarters. And we believe with all these actions with complete focus on our cost, we've made the right investments in the organizational structure. We've made the right we've made the right investments in Hyderabad, we should be able to look at 7 to 8 quarters to start delivering consistently on double digit.

Dhruv Jain: And sir, just one last question on the accounting side. In this quarter, we've seen a Y-o-Y decline of about 10% in the other expenses. Just wanted to understand if there was something one-off in the base quarter? Or is it -- if you could just spell that out, what's led to that?

Ravindra Singh Negi: So last year, we had an EPR taken into that quarter. So that's the base effect that you would have seen. But that's not a full, and you look at it from a full year basis, EPR then gets normalized and a little bit of Mickinsey impact also. But negating that also, we've degrown -- we've had a better control on our cost, even if I negate those.

Moderator: We have our next question from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: Sir, I know you have discussed, possibly I'd like to hear more in detail, the 7, 8 quarters, the double-digit margin target, which you have in mind. So what sort of improvement, which segment improvement you are looking for? Is it pricing led, cost led? So what is in your mind because we are talking a big 300, 400 kind of bps improvement.

Ravindra Singh Negi: Yes, Keshav, thanks for the question. And I would just again reflect back and step back and just do a recap of all the opening remarks that I've made. These are strategic pillars that we are putting on. Premiumization, which gets me a mix better, which helps me move up the value chain, where the pricing headwinds have a lesser impact. And the consumer conversation is not on pricing, but on features and then price is always a discovery there. That's one part. The second part is that how are we building up our portfolio. And that portfolio balancing is through -- driven through lighting, which is better contribution margins and better gross margins, building up premiumization in fans and then looking at categories of switches and switchgears to start giving us more than what they are contributing as of now.

So these what we are building up actions to strategically drive that. Then again, I said, in some of the distribution-led actions that we'll do, which is closer to the consumer, go direct wherever possible, those are strategy in action that will also start -- is yielding results and will continue to give us more benefit.

From the operational excellence side, the Project Sanchay also helps us keep a very tight watch on opportunities to improve our margins. Those are things that will do. Whatever capex and other things that we had to spend on Hyderabad, it's done in the next couple of years, Hyderabad and its efficiencies will start delivering to the bottom line.

These couple of action points driven by our strategy, driven by our efforts in the market, which is -- and we've had a double -- 2 consecutive years of double-digit growth. We are very confident in the next 7 to 8 quarters, we will touch the double-digit EBITDA margins.

Keshav Lahoti: Understood. Got it. So the lighting, what industry-leading growth you are delivering, should we expect it to continue? And in your view, what would be the sort of industry growth and how much you have sort of gained market share?

Ravindra Singh Negi: We've moved our market share by almost 200 basis points. And whatever reports and listed peers in lighting have given their results, Lighting industry as per se is flattish or degrowing. Our efforts to find the right segments and here, it is a clear classical case of premiumization helping us drive volume and value both. And obviously, a little bit of base effect on our B2B side, which is also helping.

So those put together, I think we'll continue to gain momentum in lighting, which is where we are going to make the right spends on the brand and right allocations of resources.

Keshav Lahoti: Understood. One last question from my side. Is it fair to assume lighting prices have bottomed out...

Moderator: May we request you to rejoin the queue. The next question is from the line of Praveen Sahay from PL Capital.

Praveen Sahay: My first question is related to the ECD. As I can see that your premium portfolio in the fan or if I look at BLDC portfolio contribution is continuously increasing. Even after increasing in the premium category or the BLDC, our growth rate is single digit. So if you can give some color on how is the volume or the realization improvement you had observed? That is my first question.

Second question is related to the lighting. Lighting in the B2C category, you still mentioned that the price still is one of the concern. So how -- what's your outlook related to the B2C lighting pricing the way forward? When this price correction will stop or we'll see the improvement there? These are the two questions.

Ravindra Singh Negi: So, Praveen, let me just take the first question on fans. I think you pointed out that fans is a single-digit growth. Yes, it is a single-digit growth. Last year, our ECD, you said is a single-digit growth. Last year, our ECD grew by about 24%. On that base, we've grown by almost 8% on that, 2 years CAGR of about 16%. Yes, we would have done more. There are two large impacts that I would put not only for us, but also I'm sure it will be true for the industry also.

As I said in my opening remarks, there were prolonged weak winters. So neither did it help on the heating category nor did it help in the cooling category for a highly penetrated category like fans. We saw the exit trends of March much better with the anticipation of a stronger summer. The trade buildup and the channel buildup started happening in March. which I think in quarter 1, we are very hopeful and very confident that they will start giving us a better traction there. So that's on the ECD. And I think all our efforts on premiumization, we are holding on and improving on margins. If you look at our overall gross margins, they are improving.

Segment results also, if you look at it, we're kind of maintaining there. So that's on the margin side also. Anything on the lighting side, you said pricing, yes, the pricing headwinds have been there in the lighting industry for last, I would say, 7, 8 quarters. There are compliances and regulatory changes that has happened effective 1st of April.

One big change is the RoHS compliance, which has increased the cost -- and hopefully, I think the industry will pass it on to the consumers. We should see some sense of semblance coming on the pricing from that perspective and passing on these costs to the consumers. Having said that, we've been able to navigate our volume value indexing and our traction much better. We hope to continue doing that.

Moderator: We have our next question from the line of Natasha Jain from PhillipCapital.

Natasha Jain: Sir, I was on the ground channel checks, and I must say that the company's traction has slowly improved. So congratulations for that. However, a feedback that I have received is the product when it's dispatched from the Orient warehouse to the dealer or the distributor, the time frame is longer compared to peers, especially in your DTM markets where you have removed the master distributor. So I want to understand what are we doing there in terms of working on the turnaround time? And also, are we building relationship with the distributors now? Because they told me that they do not have the same relationship with the company management rather than the master distributor. So first question is that.

Ravindra Singh Negi: So Natasha, thanks for the feedback. And I'll ask Sambhav to take the details from you. how we operate is wherever we go in DTM, we do extensive setup of our warehouses, our logistics. If there's a particular market that you picked this up or multiple markets, I'll ask Sambhav to take that feedback from you, and we will look into it, which is slightly -- I've also -- and I do extensive market visits, which I have not picked it up, but I take your feedback. We will look into it. And from a construct or the way we've done our logistics mapping, it doesn't seem to be there, but happy to take feedback from you on that. As far as relationship is concerned, I think it's a very long-standing relation as an organization, as a brand that we do. Wherever we do DTM also, we do invest on meeting the channel, spending time with them.

A clear case of this was in quarter 4 in February, we have taken about 250 channel partners and some of them had their own families with us in a conference outside of India, and we did spend time building relations, and this was for both MD as well as DTM markets. So we do end up spending a lot of time building up relations as well as feed forward feedback mechanism with them.

I take your feedback. We will have -- and there's always a scope for improvement. I'll ask Sambhav to take the details from you, Natasha, and we'll be happy to correct it.

Natasha Jain: Sir, my second question is on the U.S. tariff. So are you getting any inquiries from the U.S. bigger large-format retailers in terms of appliance sourcing, manufacturing in India from your Hyderabad plant?

Ravindra Singh Negi: Little too early. And as and when if there is something that substantially come up, we'll be happy to share.

Natasha Jain: Great. And sir, one last short question. You mentioned in your opening remarks that you've started a 10-minute delivery from Zepto. Sir, I wanted to understand how does this work? I mean, does the electrician come immediately? Or what is the turnaround time in terms of installation? Is it quick? Or do they still have to wait for a 24 hours like a general trade?

Ravindra Singh Negi: So, Natasha, I think what happens is that when consumers go and buy a fan from the retail, offline, online, not every fan comes with installation. Only the premium -- and that's part of our premium strategy also. On the premium fans come with installation from the company. It's a free installation that we give. What we've done is a quicker turnaround in a delivery on Zepto, which means that the product gets delivered, typically, as a consumer behavior, they will use their neighborhood electrician to come and install. Wherever we promise a free installation, we have a turnaround time of 24 hours. In summers in some of the top cities, we squeeze that turnaround time to 8 hours to make sure that we go and deliver it, install it. But most of the non-premium products or fans, the consumer uses the neighborhood electrician to get it installed. But the product is getting delivered from a lot of dark stores of Zepto in 10 minutes.

Moderator: We have our next question from the line of Achal Lohade from Nuvama Institutional Equities.

Achal Lohade: So just wanted to understand in terms of the fans, if you could help us in terms of the market share, what has been the growth for the year for the industry and for us? And what kind of market share gains have we seen in the fans category?

Ravindra Singh Negi: So we've shared our numbers with you. We've seen almost 10% growth in the ECD and fans is also in a similar range. Market share is a third-party data that comes in. We've held on to our market share and gained a little bit across some of the DTM markets that we've done. These are numbers that we don't share openly, but I'll have Sambhav get in touch with you and share specifics that you need to know about the market shares.

Achal Lohade: Sure. And just a second question with respect to fans premium mix, how is it for the industry and for us? I presume you have talked about BLDC substantial growth. But just from an overall premium portfolio perspective, what is the mix for us and for the industry, if you could give some sense on that?

Ravindra Singh Negi: So if you look at industry, industry would be slightly lower than mid-teens as BLDC as a percentage of overall ceiling fan. I've shared that we've almost touched 20%. So we are higher than the industry on that. We've strengthened our portfolio in BLDC. We've seen 50% year-on-year growth this quarter. Overall, we've seen 30% growth. So we are ahead of the industry in terms of our contribution to overall ceiling fans from BLDC. Premium, the industry would be somewhere around 20%, 21% or closer to 20%. We are at about 30%+ on premium contributing to it. Our aspiration is to take it to 40% and above in the next few years.

Moderator: We have our next question from the line of Nirransh Jain from BNP Paribas.

Nirransh Jain: So sir, my first question is on the underlying demand trends. I mean we understand that the primary filling happened for fans a bit late during like late of March. But how the underlying secondary demand had been for us, especially, for example, in South region where the summer would have started much earlier, probably around mid of Feb. So we have seen like 2 months kind of a summer already played out. So how has the demand picked up so far? And what are we seeing in the North region as well?

Ravindra Singh Negi: So, Nirransh, I'll just give you a larger perspective from an industry -- this thing and take it from an industry viewpoint and not necessarily Orient because I would not want to share my secondary movements in trends across the categories, across regions. But largely, if you look at it, and we've not had -- the industry has not had a clear run of 15 days or 20 days of strong summers anywhere across the country, okay. Even if you look at it, South went up, went down first 10, 15 days of April, rains there, North started up, a few rains, patches of rains. But now as we see for the last 7 days and if you look at going forward for the next 2, 3 weeks, IMD prediction is very strong -- is there for a very strong summers, and we're seeing the temperatures go up. I'm very optimistic that -- and it takes a continued 7 days of good harsh heat to start seeing offtake go up 1-1.5x, 2x across the market.

So we are very optimistic that the summers will pick up across the country. So right now, North is there, parts of South for the industry has come back on secondaries. There's West, which is already seeing secondaries movement up in the last 7 days, and that's from a larger industry perspective that I've shared. Obviously, we have our own mechanism to track our secondaries. We are very optimistic about quarter 1 and the build up on that.

Nirransh Jain: Sure, sir. That's very helpful. My second question is on the gross margin side. So I think Orient is one of the few companies that have already reached like pre-COVID levels. So what are the further levers? Like I understand that premiumization is a main key focus area, but we have also guided that it should broadly remain in the similar range. So now since we are targeting like 350 bps kind of improvement over the next 2 years, are we expecting it from -- anything from the gross margin also? Or will it be a pure operating leverage that we are hoping for?

Ravindra Singh Negi: So I think on the gross margin, I think what we've said is a range of 31% to 33%. And why any improvement further would have multiple factors to take care of. One is the stability of commodities and at what fluctuations do we see. If there is stable, I think I'm sure if you get a quarter or 2 of stable commodity prices, you will see gross margins go up.

What we are very confident that with what you build up in terms of a brand, your portfolio, your distribution, your ability to then pass on any fluctuations of commodity to the consumer is much higher, much stronger. So from that gross margin perspective, we are right now in that range of 31% to 33%. I would love to be on the higher side of that range consistently. But a lot more would depend on the commodities and fluctuations.

As far as the EBITDA or EBIT percentage is concerned, yes, it will have to be a mix of slight improvements in the gross margin, a lot more operational efficiencies that we bring in, a lot more rigor in our Sanchay program. And with the top line growing, we will have the operating leverage, which will start flowing down to our EBIT percentages.

Moderator: We have our next question from the line of Arshia Khosla from Nirmal Bang Institutional Equities. Please go ahead.

Arshia Khosla: Sir, I just want to understand the mix between -- I mean, the category mix between switchgear and lighting. I mean the segment would be lighting heavy?

Ravindra Singh Negi: Arshia, we don't -- so we've clubbed these categories, and we don't share it, but it's intuitively right, it's lighting heavy. And we are building up the switchgears and wires category will take time. These are the segments where we feel that our future growth can come in from. But right now, we've not shared and we don't share the split in that. But intuitively, you're right, it's lighting heavy.

Arshia Khosla: Okay. And quickly, I just want to understand the capacity utilization for Hyderabad?

Moderator: May you please rejoin the queue?

Ravindra Singh Negi: So I'll take that question. We've built up capacities right now, as I said, on TPW, we're getting 50% of our requirement coming in from -- of our production coming in from Hyderabad. We've built in a capacity, which was a 40% enhancement from our existing capacity. And we keep looking at the demand and our stock levels. As and when required, we can scale up there. Right now, we are very comfortable with what is getting produced at Hyderabad, which is now almost 50% of coming from Hyderabad and 50% coming from Kolkata.

Moderator: We have our next question from the line of Rahul Gajare from Haitong Securities.

Rahul Gajare: I just had one question. We understand that BLDC fans earlier had seen a sizable share of sales, which developed defects due to quality electronics or low quality of magnets used in the manufacturing process.

So my question is, firstly, if this was true for Orient? And if yes, how would the defects have reduced over the years for your BLDC portfolio? And if you could comment on competition also as far as BLDC defects, etc is concerned?

Ravindra Singh Negi: So Rahul, thanks good interesting question. And I think that I would say is a very consumer-focused question. And I would take it from the consumer perspective and from an industry perspective first.

I think whenever you adopt a technology, you go through a learning curve. And I think as an industry, we all went through. Fans typically are electrical, and we've had a very basic induction motor over the years. This is the first time that you put electronics in electrical. And I think that's the learning curve that the entire industry went through. The capability wasn't there 5 years back. There was only one odd brand which was working on it, but the capability over the last 4, 5 years in terms of sourcing, getting the right electronics, getting the right PCBs, getting the right softwares, getting it rightly placed in the vans. That's over the period of time has developed much, much, much better.

Obviously, for the industry, the complaint trends, I'm sure, has come down. But if I were to look at how has Orient handled it, we went back to our drawing board and it said, what is that the consumer requires, how do we work on that. And what is that you bring in very smartly to electricals and you seamlessly get electronics into it. Part of our capability that we had in our Noida plant of lighting was to make our own PCBs.

We've partnered with engineering colleges. We had Mesra working with us, and we've developed the right kind of a PCB, right structure of PCB, worked on the right software. And we're now almost 75% of our PCBs put in our fans are from our own factory in Noida, which is helping us, monitor, closely watch the quality of PCB that gets in.

The second thing that we've also done is improved our manufacturing process. It requires far bit better environment, far bit process adherence, which we've done in our plants, both in Hyderabad as well as in Faridabad. The third thing that we've also done is that it requires intensive training to our service teams and to our technicians, which over the last few years we've done.

Overall, all these have helped us improve a much better quality product, which we are giving to the consumers. And I think that's the feedback that we're getting from the market, and that's the trail which is helping us get the right traction in the BLDC segment. So I hope that addresses your query on the BLDC.

Moderator: We have our next question from the line of Manish Jain from Wealthcare Securities.

Manish Jain: Sir, my question was regarding the demand for the summer cooling products. Sir, lately, we have seen the visibility of particularly the air coolers of Orient a lot. And in the opening remarks, you have told that it is an underpenetrated category. So is it -- the demand is even sluggish for the air coolers, as you told, like fans or air coolers have you done something different, sir?

Ravindra Singh Negi: I said coolers as a category in comparison to fans as a category, fans is highly penetrated. If you look at it about 95% household penetration in fans versus coolers would be in a late 20s penetration. That's the distinction that I did.

Highly penetrated category in the Q4 because of delayed summers or a moderate weak but a prolonged winters didn't help the stocking up of fans, whereas underpenetrated or slightly lower penetrated categories like coolers, where the stocking happens in anticipation of a harsh summers, that happens. So we had a 30% growth, 33% growth in coolers in quarter 4. So that's how I've spoken about.

Manish Jain: Sir, and what about the demand for your products, sir? Have you gained some market share from the organized and the unorganized sector in the air coolers?

Ravindra Singh Negi: Yes, yes. We are seeing a traction. The entire industry is growing here. And obviously, the organized sector is doing much better. At some point, organized, unorganized was almost 50-50. We're seeing organized sector growing, but it is still slightly -- not a very large industry. It's about INR3,000-odd crores only. So that's where we are.

Manish Jain: Sir, and specifically about the demand, I think in the last 8, 10 days, there has been a pickup in the demand, whatever I heard from the channel. Is it right? Or it is still sluggish?

Ravindra Singh Negi: No, the last 7, 8 days. And I think some of this is, as I said, and I was replying to, I think, Rahul on -- no, I think I was replying to someone on the summers and how it takes 7, 8 days of consistent heat to start seeing the demand go up for the industry. Yes, in the last 7, 8 days, parts of North, in fact, across West and parts of South have seen consistent heat and even in East. So it's picking up across for the category.

Moderator: We have our next question from the line of Rajat Setiya from ithought PMS.

Rajat Setiya: Sir, my question is about the cost saving program that we have. What exactly is the methodology here when we calculate the number? Is it like there was some cost that happened last year and INR75 crores out of those costs did not happen this year? Or is it something else? And secondly, related to this is, is it all opex or this cost saving also includes something -- some component of raw material as well?

Ravindra Singh Negi: So what I'll do, Rajat, it's a slightly longer answer. And I think given the fact that we are constrained for time on this, I will have Sambhav give you all the details. But largely, just to give you this thing, it is multiple actions that happens, both how do you renegotiate the raw material, what is the VAV actions that you're doing, what's the product differentiation that you get. What's the process improvement that you get. You've got different stages of it. Stage 1 is where the ideation happens, Stage 2 is where the filtration happens. Stage 3 is where we start putting in Stage 4 is when we start accruing the benefit. So it's a very scientific long-drawn process that we have with Sanchay.

We'll be happy to take you through and Sambhav will take you through this slightly longer, but it is a very structured process that is helping us there, and we'll be happy to share more details. Sambhav has noted down, and Rajat, he will be in touch with you on this.

Rajat Setiya: Sure. So I think my e-mail would be there in your database. So I'll wait to hear from you guys.

Ravindra Singh Negi: Yes, yes.

Moderator: We have our next question from the line of Manoj Gori from Equirus.

Manoj Gori: Sir, I just need clarity on the revenue side. So if I look at the Q4 commentary, you highlighted like in the states where we have done DTM restructuring, the growth has been around high double digit. So if I adjust it, does it mean like the states with traditional distribution model, there the pressure has been very significant on the revenues? Help me understand this, please.

Ravindra Singh Negi: Manoj, thanks for asking this question. When we say double digit, obviously, we pick up states where there is growth opportunity and potential that we see, case in point of West Bengal, which we did over 2 quarters. And obviously, while all of you have asked questions and saying, why is ECD not grown. One of the factors that we did make a choice of going through a transition in quarter 3 and quarter 4 with West Bengal.

And obviously, when you do a transition, you do end up losing a little bit of revenues, top line and momentum and then you gain it back. When we look at these growth patterns and other things, these states that we've taken 11 states, they were growing much slower. And hence, when we put this up, the growth rate starts to come in much sharper and much higher there. Rest of the states, they are in line with the industry.

We do keep a very close watch on the market shares for rest of the states, which are run by our master distributors. And we take corrective actions in terms of supporting, doing things, right things on the ground to make sure that we keep gaining and we keep improving our market shares and growth rates there.

Manoj Gori: Right. Sir, second part of the -- on the top line, if you look at -- you just -- correct me if I'm wrong, you just highlighted like 20% of the fans is BLDC fans. Now when I look at that portion growing by roughly around 50% plus TPW fans now coming from the Hyderabad facility. I just want to understand probably how the core fans are doing?

So just to -- I don't want to get into the numbers of each category or subsegment, but especially on the fan side because when I look at the numbers, probably it seems like the traditional fans are not -- there seems to be some pressure over there?

Ravindra Singh Negi: So, Manoj, one clarification that you must keep in mind. When I said 20%, that's ceiling fans. Ceiling fans for the industry is at about 70% of the overall fans. So it's not the overall fans, which is 20% coming from BLDC because BLDC is in the ceiling fan category, large penetration. In the TPW, there are experiments happening with BLDC because TPW is slightly price conscious. I wouldn't say price sensitive. But this 20% for us of the 70% for the industry. So that's how I would put it up. The second is you've got to put a lens of consumer and say what is the consumer wanting and at what price points.

So today, INR2,500 plus price point, there are BLDC options available. And below INR2,500, there are no BLDC options. Obviously, some brands are discounting and giving maybe if I were to put it saying, not so great quality BLDC. But those two segments behave very differently. And hence, the lower you go below INR2,500, those are pricing pressures and headwinds of pricing that you see. Above INR2,500, this is where the BLDC starts to come in and the consumer has a choice of making a decision on either design, which is lifestyle, functionality or tech. And sometimes the consumers make a choice of tech only or makes a choice of tech plus design plus functionality. And that's where we're seeing the traction happening. That's where we're seeing the growth happening, and this is from a large industry perspective that I'm saying.

I hope that gives you a little bit of -- sorry, gives you the context to it.

Hello, Natasha, do we have the next question?

Moderator: The next question is from the line of Naushad Chaudhary from Aditya Birla Mutual Fund.

Ravindra Singh Negi: We're not able to hear, Naushad. Naushad, we're unable to hear you.

Naushad: Just some clarification on BLDC side sir. And roughly 20% of our revenue comes from this BLDC fan. If you can share the rough absolute number from the context of if today it's X amount, how much this could be in next 2 to 3 years? And also from a margin point of view, does this fan offer better margin versus the conventional fan. And then I have one more on this BLDC only.

Ravindra Singh Negi: So, Naushad, first thing, yes, when you go up the value chain, whether it's a BLDC or induction, you get better margins. INR2,500 price point and above BLDC is starting to gain traction. And we are participating, as I said, as a part of our core strategy is to be consumer first, and we're giving all the options to consumers to choose from.

The second part of your -- or the first part of your question was about saying, can we give you details of how much value and other things coming from, which we don't share on calls. But I hope that clarifies on the BLDC.

Naushad: So the 20% revenue share of ceiling fan, which you have today, what is the next 2, 3 years, how much this can be?

Ravindra Singh Negi: So a lot will also depend on a lot of external environments, how -- and the government is going through a lot of ratcheting and other things, which is where how the BEE and the norms of BEE will change. My take is that 2,000 and above, you will see faster adoption and traction for BLDC or a 5-star fan. Tomorrow, if there is a technology and BLDC is a technology, but it is delivering what to the consumer, it's delivering a 5-star fan to a consumer. If there's tomorrow a technology or another motor which delivers 5 star, I think the adoption of the need of a consumer is to have a fan which consumes less power.

My take is that it should continue to grow 2,000 and above, 2,500 and above, would go up to almost 50%, 60% coming from BLDC only or more. Our task is to be ahead of the industry, ahead of the industry curve and keep gaining what the consumer wants.

Naushad: Interesting, sir. And last on this, as the traction and penetration of BLDC is improving and after, I think, if I understand it correctly, after a very, very long period of time, there is something which is meaningfully from a tech point of view, meaningfully changing in the fan industry.

So from a consumer point of view, from a brand perception point of view, earlier, there were brand leaders and they had a very good brand share of the consumers. But now because the tech changes, do you think that it's an opportunity for a smaller or a challenger to get better brand share of the consumer and can enter and challenge the dominating guys, which were dominating for last many years. This could be a turning point for a player to challenge it and gain the market.

Ravindra Singh Negi: I think, Naushad, I would say that tech will keep changing. We keep evolving. Today, we are talking BLDC. You got to see what is the end result that the consumer is looking. Consumer is looking, I need to save energy, as a means to deliver that. And I think it will keep changing. It will keep happening for whether you're a brand, which is a well-established amongst the top 2, 3 brands or you're a new entrant, you have to keep consumer at the core of what you do. You have to be nimble. You have to be fast enough to look at opportunities to evaluate tech and adopt them.

I think as an industry, all of us have done that. As Orient as a brand, we are doing it. And we will not restrict ourselves to BLDC only. We will keep evaluating and looking at what's the consumer wanting and what's the tech opportunities and options available and adopt and deploy that.

Naushad: And what's helping you to grow faster than the industry in this category?

Ravindra Singh Negi: Naushad, I think we'll give an opportunity for others also. But yes, there are a lot of things that we're doing in terms of premiumization. There's a strong brand pull that Orient brings in and a trust over the years that consumers have with us with a lot of other things that we do, which is helping us gain much more than. And obviously, we give a better quality, and I spoke about our efforts in getting the right BLDC, PCB delivered to the consumer.

Moderator: This will be the last question, ladies and gentlemen. And I would now like to hand the conference over to Ms. Natasha Jain from PhillipCapital for closing remarks. Over to you, ma'am.

Natasha Jain: Thank you, Manav. I would now request the management to give closing remarks, if any.

Ravindra Singh Negi: Thank you, everyone. Thank you for your time and all those questions. There are a couple of questions and a couple of data points on which Sambhav will get in touch. But happy to take your feedback. Thank you for your interactions and all the best. Thank you.

Management: Thank you.

Natasha Jain: Thank you. That concludes the conference.

Moderator: Thank you. On behalf of PhillipCapital, that concludes the conference. Thank you for joining us, and you may now disconnect your lines.

(This document has been edited for readability purpose)

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