August 08, 2024

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 ended June 30, 2024.

Dear Sir / Madam,

In continuation to our earlier letter dated July 24, 2024, 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 Un-audited financial results of the Company for the quarter ended June 30, 2024, scheduled for Friday, August 02, 2024 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

Digitally signed by HITESH KUMAR JAIN
Date: 2024.08.08 17:16:06 +05'30'

Hitesh Kumar Jain

Company Secretary

Enc: a/a

"Orient Electric Limited

Q1 FY25 Earnings Conference Call"

August 2, 2024

MANAGEMENT: **MR. RAVINDRA SINGH NEGI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. SAIBAL SENGUPTA – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. NILESH PATIL – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Orient Electric Q1 FY2025 Conference Call hosted by ICICI Securities. 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nilesh Patil from ICICI Securities. Thank you. And over to you, sir.

Nilesh Patil: Thanks, Riya. On behalf of ICICI Securities, we welcome you all to Q1 FY2025 Results Conference Call of Orient Electric Limited. We will have with us, Mr. Ravindra Singh Negi, Managing Director and CEO, and Mr. Saibal Sengupta, Chief Financial Officer.

Now I hand over the call to Mr. Negi for the initial comments on quarterly performance, and then we'll open the floor for question-and-answer session. Thanks, and over to you, sir.

Ravindra Singh Negi: Thanks, Nilesh. Good morning everyone, and a very warm welcome to Orient's quarter one Earnings Conference Call. I'm delighted to connect with all of you for the first time since my joining. My initial eight weeks at Orient have been intense and informative, involving meetings with employees, associates, strategic partners and our master distributors and dealers across various locations and markets. The feedback from the ground reflects the strong brand presence and a rich legacy of our company. We have a talented, vibrant and energetic team throughout the company. This strong fundamental foundation reassures me of the immense potential Orient holds in the FMEG landscape.

Our strategy in action, mentioned at our Investor Deck, is a well-thought through plan, which the organization embarked upon in the last two years. I believe these strategies are essential to unlocking value and will start delivering better in the coming times. Let me briefly touch upon the key pillars of our strategy in action.

Our complete drive behind the DTM strategy, with focused distribution expansion and sales execution excellence, is resulting in better growth and market share gains in these states. We have now added two more states in quarter one, Jammu & Kashmir, along with Himachal Pradesh, taking our total count to 10 states. Our DTM states have grown by 23% in Fans category in quarter one, which is a strong performance in these states. With consumer centricity as a cornerstone of our strategy, we are also expanding direct service network. We've added seven more states, and now we do 16 states through direct service network for better consumer experience. And we are seeing a significant improvement in our service ads and perceptions. And I'm sure this investment will go a long way in creating the right consumer affinity to the brand.

Our second pillar was again based on creating right consumer experience and to be a strong brand of preference and the digital footprint of consumers search to purchase journey. We are making right investments in the e-com marketplace and have kept a complete sell-out focus and approach to ensure that we leverage the new age consumer preference. We have done high double-digit sell-out growth on e-com channels for cooling category, which is for both fans and coolers. We have gained market share in the ceiling fan category on e-comm platforms. We are also enhancing our reach in the large-format retail and are adding presence in more stores and accounts.

Our continuous focus on the lighting business is paying off with high double-digit volume growth in consumer lighting despite industry-wide value contraction. The value mix in ceiling business is helping us in margins and the B2B business has also registered deep double-digit value growth, despite muted inquiries and tenders due to general elections. Lighting will be a key strategic pillar for our profitable growth journey in the long run.

We've initiated commercial production at our greenfield Hyderabad plant designed as an Industry 4.0 facility. This plant would deliver superior products at competitive costs and offer proximity to South and Western India markets. It will take a couple of more months to stabilize the operations, but we are confident of being fully ready for the next seasonal pickup.

Our Spark Sanchay program aimed at driving cost leadership is deeply ingrained in the organization, consistently delivering approximately 2% annualized cost reduction and helping us in mitigating commodity and pricing risk.

Let me now talk about the quarter one results. And I want to start by stating that mark-to-market sell-in performance has been lower in Q1. And I will explain the sell-in performance. Let me touch upon the ECD. Summers have been actually very good for the cooling categories, fans and coolers. But this has also led to inventory stock-outs in several pockets for Orient. The summer started early in some, followed by West and then a late intense one in East and North. This propelled unanticipated demand for fans, especially TPW category, while capacity limitations restricted our ability to meet peak demand, we saw encouraging sell-out growth. Having said that, we could have done more sell-in, but for the capacity constraints, specifically in TPW, all this resulting in a modest 5.8% growth in the ECD segment, but that is for Q1 standalone. But if you look at the period from January 2024 to June 2024, which includes both a high sell-in period, defined as pre-season build up for Q4, and a high sell-out period of quarter 1, defined as consumer tertiary or sell-out period. Our mark-to-market performance is better. For this period of January to June, we've grown at about 14.5% in ECD and high-teens in fans. So, if you look at the complete impact of sell-in and sell-out across two quarters, our market share based on third-party data is inching up or holding across geographies.

The consumer lighting segment continued to face price erosion, but showed high-teens volume growth, a steep increase in the B2B segment and improved distribution of switchgears and wires, leading to double-digit growth this quarter. Value-added and differentiated SKUs in ceiling are gaining traction for us and large size inquiries and tenders have started regenerating post-elections. Overall, our Lighting and Switchgear business has grown by 10.2%.

For the quarter of April to June, quarter one, our overall revenue grew by 7% year-on-year, standing at INR755 crores. Gross margins expanded by 249 basis points year-on-year, and 237 basis points quarter-on-quarter sequentially, and stands at 33.1%, driven by a combination of price increase, mix and cost savings. While our EBITDA dropped by 8.9% over the last year, we registered sequential margin improvement, though we dropped by 93 basis points on year-on-year. Looking ahead, we remain optimistic about our strategic initiatives, which are taken or embarked upon by the organization, keeping a long-term view and we are positive of their impact on our performance.

Thank you all for joining. And I'm happy to take questions now.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Agarwal from IKIGAI Asset Management. Please go ahead.

Rahul Agarwal: Yes. Thank you so much. Good morning everybody. Good morning Mr. Negi and Mr. Saibal. Firstly, best wishes to Mr. Negi for the new role. So first question to you in terms of your thoughts on the business plans over the next 12 months? What's your style of doing business and what kind of interaction you have had over the last two months to highlight few low-hanging fruits, you want to execute in the medium term, please?

Ravindra Singh Negi: Rahul, thanks for your question. And let me just pause and tell you that in the last eight weeks, I've met and have done a lot of sessions with employees. And I'm really, really charged up after meeting all the employees. I've done a lot of market visits, plants visits, met a lot of channel partners, done market visits, met dealers, master distributors. And I'm very convinced that our fundamentals of the brand and our product strategy, which those five pillars that I spoke about are very sound, right things to do for growing the business, which is largely, I am just repeating, the DTM strategy, the focus on consumer-centric channels like e-comm and large-format retail, our focus on growing Lighting business, our focus on cost initiatives and manufacturing and obviously, our investments in people. I think these are the right steps that we've taken in the last two years, and I'm sure these will result in greater performance or a better performance in the coming times. Right now, it's been eight weeks. I firmly believe these strategies, we have to unlock the potential out of these strategies, and we're doing the right things there. As we move forward, I will make a long-term plan, and we will come back to you on how do we see Orient take a larger pie of the FMEG landscape in the coming years. So I'll come back to you guys at an appropriate time.

Rahul Agarwal: Okay. Get it. Secondly, on the ECD part you obviously highlighted that you were short of capacity to deliver on numbers. I think comparing with listed peers, obviously, the single-digit 6% looks lower. Apart from what you said on TPW, which saw very high growth and you were showing completely short of supplying that. In case that wouldn't have happened, how would this 6% growth look like? Would have been, would it have been about 14% - 15%? Could you quantify what kind of capacity shortage in quarter?

Ravindra Singh Negi: So Rahul, as I explained, there are two parts to look at them. And then we look at a larger horizon of January to June and which is where we said one period, which is quarter four was a sell-in period and quarter one was a sellout period. We are, if you look at it, are very competitively placed at 14.5% growth vs any of the peers. Also our fans in particular, if we look at a larger six-month period, had a high teens. Obviously, this is a hypothetical number that we would be giving if I were to give. So, if this would have happened, how I would have it done. But I'm sure we would have been at a healthy teens growth, if TPW constraints were not there. Our sell-out didn't get impacted, and I'm sure we've got some of the first-cut indication from a third-party data. We've inched up on our market share. We could have done more sell-in and that's an opportunity, which was there because of this long summer. That's how I would say I look at it from this situation.

Rahul Agarwal: All right sir. And my last question on the cost side. Your Sanchay savings are about INR13 crores. And you also mentioned that Mckinsey costs should stop from second quarter. Just wanted to know which line item would the Sanchay cost savings be visible into, it's largely driven, the gross margin expansion is a result of that. Just wanted to clarify. And if you could quantify how much savings do you foresee from the Mckinsey cost savings, please? Thank you.

Ravindra Singh Negi: So Rahul, two things, Sanchay, largely all the actions that we have done will start reflecting in the calls that we do and that's where in the gross margin, you'll see an improvement there. That is not the standalone reason for gross margin impacts. We've done a lot of mix change performance, or we passed on the pricing increase also to the consumers. As far as Mckinsey is concerned, we've said in the last call also that this will be the last quarter, where we will have a payout impact. We do not quantify the Mckinsey payout. But yes, next quarter onwards, it will not be there in the expense item.

Rahul Agarwal: Perfect. Thank you so much for answering my questions. Best wishes to you.

Ravindra Singh Negi: Thank you, Rahul.

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

Dhruv Jain: Hi Sir. Thanks for the opportunity. Sir, I had a question on the investment part. So obviously, in the last 1 - 1.5 years, you've made enough investment in terms of beefing up your organizational capabilities. Because of this, we've had a significant cost impact, cost increase as well. Just wanted to understand directionally, if the pace of it is going to reduce going forward or are there more investments that you would need to get back to, say, double-digit growth or anything here would be helpful?

Ravindra Singh Negi: Yes. So Dhruv, thanks, thanks for your question. And let me just first say that whatever we've done in terms of embarking on those strategic pillars in the last two years, I'm very convinced that these are directionally right steps to do. And look at it, we are a B2C organization, consumer facing, all the steps that we've taken, whether we're going direct to market, whether we are investing on the service, whether we are taking the right channels, which are a consumer-centric preference these days or investing on lighting, creating the right manufacturing, for giving the right quality to the consumer, investing on talent and people. These are fundamentally correct investments to do.

Would we continue to invest? We will continue to invest on it. Will it be a significant change from what we've done? Maybe not. We have to keep the leverage out of all the investments that we've done. And I think directionally, whatever we've done, it is showing signs of improved performance, and I think we will continue to leverage current investments.

The last large big investment that we did in manufacturing was in Hyderabad plant. And we are, as we speak, scaling up our complete ecosystem in Hyderabad, supplier ecosystem as well as our productions to make sure that we are very well lined up for the next season. And whatever is constraints, that we face this year will not be there.

Saibal Sengupta: Just to double down on that Dhruv, on what Ravi just mentioned, I think you are also asking about whether we have plans for greenfield investments in line with Hyderabad. As of now, no, but yes, as and when we come up with our long-term plans, at that time we will think about it. Right now, we do not have a greenfield kind of an investment if that was your extension of that question.

Dhruv Jain: Okay. Okay. And on the gross margin, so we've seen a fairly sharp jump in terms of gross margin. I just wanted to know what was the kind of price hikes that you've taken? And because of the Hyderabad plant, does this number look sustainable? Or there are more upside, I mean, there is more upside to this number? I mean, any thoughts here would be helpful. Thanks.

Ravindra Singh Negi: So Dhruv, in the last quarter, some of the commodities have been very fluctuating. And we saw in the beginning of the quarter, copper taking a very different route and prices went up. We've done price increase in our fans category in two tranches in quarter 1. One was early April and the other one was in June, largely in the ball park tune of about 3% to 3.5% is what we passed on to the consumers. Will we be able to inch up on the gross margins right now? My take right now, would be, say, let's sustain these gross margins and then take the next leap forward in sometime.

Dhruv Jain: Okay. And I had a question on the DTM states. So we've seen that DTM states have kind of outperformed and you've also taken the number of states to about 10. Is there a target that you have in mind at this point of time that you want to increase the number here or any more states that you want to add?

Ravindra Singh Negi: So Dhruv, we are very clear and when we articulated our strategic pillars or strategy in action, that we will have a hybrid model. The purpose of DTM states was saying, any state where there is a larger potential for the brand, and we are not able to leverage that potential, we went ahead and did. There are states which are run by our master distributor, and we are able to justify and do get good market share there. We continue to stay invested in those models. So it will be a hybrid model. It's a model where we will keep evaluating given the larger ecosystem, our performance opportunities, and so there is no target that we have that we need to move x number of states. It's a constant evaluation that will happen every quarter.

Dhruv Jain: Thanks. And all the best.

Ravindra Singh Negi: Larger intent is that we will, at some point, run with a hybrids only.

Dhruv Jain: Got it. Got it. Thanks a lot and all the best.

Ravindra Singh Negi: Thank you, Dhruv.

Moderator: The next question is from the line of Raj Shah from Ambit Asset Management. Please go ahead.

Raj Shah: Hi Sir, Good Morning and thank you for the opportunity. My question again is on the DTM. So, I just wanted to know what is the share of revenue from DTM states currently for quarter one and out of the total fans revenue?

Ravindra Singh Negi: See, Raj, thank you for the question. It will be a ballpark one-third, which is coming in. But when we do a transition, in the transition period, we tend to lose a little bit, losing market share and a little bit of revenue. But then we've seen that whatever states that we've done, we come back very strongly at ballpark about one-third.

Saibal Sengupta: DTM, if you recall, we were mentioning it was at 25%, one-fourth earlier. With Gujarat getting added and a couple of markets getting added in this quarter, it is gradually inching up. So it is in the region of one-third as of today.

Raj Shah: So, if one-third of our DTM states have grown at 23%. So does it mean that the non-DTM states have degrown slightly or being flattish? And what would be the reason for the same?

Ravindra Singh Negi: So, when we do DTM, we're only talking about the general trade. So there is digital and retail also, which contribute to the overall business. So by and large, while we've done growth in the fans. And you look at a larger period of Jan to June, both the DTM and non-DTM states and the other channels, we've done a high-teen growth in fans market.

Raj Shah: And also, you have said that LFR have shown quite strong growth for us for this quarter, and we have also added new stores. So just wonder what would be the growth for the LFR stores? And what is the store additions that you are targeting for the next year and next couple of years?

Ravindra Singh Negi: Sorry, Raj, I didn't get your question. Can you come again?

Raj Shah: Sir, in LFR, in the large format stores, what has been the growth for this for the last six months for us? And what are the store additions that are you targeting for the next couple of years?

Ravindra Singh Negi: So, Raj, we have a small base on the LFR business, so it's high growth there, but although on a high small base, our purpose is to start covering large. So we cover almost all the national accounts. And our purpose is to get more association in the regional retail accounts. We've added close to about 250 to 300 more stores in quarter one. So we're increasing our penetration within the account as well as the breadth of accounts that we deal with.

Raj Shah: What would be the total number of accounts that currently would be added?

Ravindra Singh Negi: So, we've got all the national accounts there with us. Of all the regional accounts, that's a universe of about almost 80-84 accounts, we would have about 40-45 accounts to that.

Raj Shah: Thank you so much.

Moderator: Thank you. The next question is from the line of Prateek Giri from Subh Labh Research. Please go ahead.

Prateek Giri: Good morning Mr. Negi. Congratulations for being here, sir. Good wishes from our side. Sir, I just had one small query, which is regarding the challenge or the key challenges which you see you'll be working from day one which will help us unlock the potential value in the business. In terms of operations, I'm as asking, sir, for Orient Electric.

Ravindra Singh Negi: That's a tough one, Prateek, I would say. There is not one single challenge, I don't look it from a challenge perspective, but from an opportunity perspective. I think there are many opportunities for the brand, given the strength of the brand, given the strong resilience of the organization. And also, let me just tell everybody on the call, some of the strategic direction that we've taken, these are bold directions that we've taken. I think it takes a lot of resilience of the brand and the organization and the management to take strong shift from the regular business. I think these all shifts that we've done give us a great opportunity. What I feel is that my biggest task is to make sure that these opportunities are fully leveraged, and we deliver on that. And anything that comes in operationally, all those challenges, these are part of our life and we'll handle it as it comes. But unlocking the opportunity, unlocking the potential of these strategies is what I take as the first task to do.

Prateek Giri: Understood sir. Very helpful. I rest my questions. Thank you, sir. Thanks a lot and congratulations.

Ravindra Singh Negi: Thank you, Prateek.

Moderator: Thank you. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Hi. Good morning, sir. Sir, my first question is on the first half performance of the calendar year. As you mentioned that between January to June, the performance looks significantly better vs just looking at quarter one of the fiscal year. Now that, that is also partly because last year, we had a decline during that period.

If I just look from a two-year perspective, we have had roughly 8% to 9% kind of growth over a two-year period during this period, despite there being fairly high-cost inflation, which would have led to higher realizations as well. So on the volume side, it appears that it was quite muted. Has it got to do anything with our DTM strategy and the fact that we would have initially lost some volumes because of DTM?

Ravindra Singh Negi: Well, I would say, no. While we look at and while we do a comparison with peers, everything is done on a like-to-like basis, and I did a like-to-like comparison for Jan to June period. Everybody has had ups and downs last year between Jan and June. So, it's fair to say that on a like-for-like, had a 14.5% sell-in/sellout combined for the calendar half year, we seem to be fine, even if we look at a larger, longer three years CAGR, we seem to be trending fine.

Yes, when we do a DTM transition, the transition period actually is where we lose a little bit both in terms of market share and in terms of revenue, but we come back very strongly because of the execution, the distribution expansion, the right kind of connect and our team's ability to extract more out of those states. So you're right, Aditya, from that perspective that while we do the transition, we tend to go through a little bit downward trend, but it comes back.

While all said and done, I also spoke about third-party data, which is an indication that wherever we've launched our DTM states, we seem to be, after the initial little drop of market share, we seem to be gaining back on it. And overall, if we look at it for this calendar year first half, we seem to be holding our market share, and so that's not a concern which I would see right now.

Aditya Bhartia: Understood, sir. Sir, one thing that we've noticed with some of the other brands, which have also formed through a distribution change, they have lost market shares and they regained market share. But even after regaining, their market shares were not higher than where they had started, when they started making the change. So, what our experience being in the states which have now gotten mature after implementing DTM?

Ravindra Singh Negi: So all of our states are in different phases of execution. And I think, I would take a couple of more quarters to look at a long-term trend to see where we started and where we've gone on market share. Right now, the way it is, I believe that we're trending in the right direction, and we should be able to be much ahead of the pre-transition market shares. And that's the exact point. Some of the states that we've picked up is where we believe the potential is high and we could do well there.

Aditya Bhartia: Perfect. That's encouraging to hear, sir. And so my last question is on your format about investing in talent and people and making certain changes around that. Would be helpful if you could throw some light as to what are the changes that have been made? And has there been any change in the way employees are incentivized through it if as well?

Ravindra Singh Negi: So all the strategic pillars have had teams and structure put to make sure that these strategies get executed well. Whether it was service, we've made investments in service teams, whether it was DTM, whether it was getting the right kind of digitization to support the efforts, whether it was B2B focus in lighting, whether it's Switchgears or Wires business. Every aspect of our strategy has been backed by people who are experts in that field. And that's an investment that's happened. And I think all of this starts to unfold over a period of time. Some of the investments in Hyderabad have also been backed up by teams who look after and manage the large-scale project execution and other things. So that's where we are as far as our investments and talent is gone. We've got people who are SMEs in these fields, and we will continue to invest behind this.

Aditya Bhartia: And any changes in the ESOP, sir

Ravindra Singh Negi: Sorry, I didn't get.

Aditya Bhartia: Employee stock option pool. Any changes being made over there as well?

Ravindra Singh Negi: No, not yet.

Aditya Bhartia: Okay. Sure. Thank you so much, sir.

Ravindra Singh Negi: Thank you, Aditya.

Moderator: The next question is from the line of Praveen Sahay from Prabhudas Lilladher Capital. Please go ahead.

Praveen Sahay: Thank you for taking my question. Sir, my first question is related to the Lighting segment. There, we have seen a good EBIT margin improvement. And in the commentary, you had mentioned that led by the LED lighting. So, is that the LED lighting price erosion restricted now from the last quarter? Where we are in that as a sector, as an industry?

Ravindra Singh Negi: So Praveen, thank you for your question. I think it's a difficult one to answer, especially given the fact that the price erosion is slowing down, but has it ended, or will it end, it all depends on how some of the regional brands or some of the leaders actually go and execute things in the market. What we've done is that we focused on the right value mix. There are price erosions in lamps. But there are technologies like COP, downlighters, everything, panels, where I think the price erosion is lesser and there is a better value mix that we get. The complete focus of the organization and the teams, is to make sure that we balance this while we participate in certain categories, but we also balance it out through the other. And that's what I think, over the last few quarters, is giving us results.

Praveen Sahay: Okay. Second question, sir, related to the Hyderabad plant. So is that commercial production has started. So can you give some indication that what the revenue potential for that scale up, from this plant?

Ravindra Singh Negi: As I said, this is early days for the plant. It's the industry 4.0 plant that we've done. We are now in a process of stabilizing the production. And what happens is that when you make an industry 4.0 plant, the entire ecosystem also has to come up, a supplier ecosystem. A good part is, with our investments and other things, our strategic suppliers have also made the right investments in Hyderabad. The entire synchronization of their efforts and our efforts will yield results. But I think it's still some time away for me to come back and say what will be the revenue really start coming from Hyderabad standalone.

Praveen Sahay: Okay. Lastly, on the one data point, sir, is it possible to say the TPW contribution in the fan segment?

Ravindra Singh Negi: We don't disclose these numbers, but we are in line with what the industry contribution is. So, in case you know the industry contributions, you will know we are broadly in there.

Praveen Sahay: Okay. Thank you, sir. And all the best.

Ravindra Singh Negi: Thank you, Praveen.

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

Nikhil: Yes. Good morning. Congrats for the new role and best of luck. Just a continuation on the last participant's question. You mentioned the mix of TPW for the industry. I don't know the mix. So, if you can just guide roughly what is the mix, that is one part.

Secondly, there was a question which was asked previously also, if we see the DTM markets, we've mentioned that it grew 23%. And I think roughly we said 30% to 33% of the business is coming from DTM, which means most of the other markets have not at all grown. Even if I strip off TPW, would it be right to say even in ceiling fans, we were not able to meet the demand. I think if you can just explain it between DTM and non-DTM, and between TPW and non-TPW, how the performance has been for us?

Ravindra Singh Negi: So Nikhil, I'll broadly give you a sense and not exact numbers. Firstly, the industry, depending on brand to brand, would hover between 25% to 30% as TPW contribution to the overall fans. Now when we look at our fans business, and when we talk about DTM market and non-DTM markets, that's general trade. We've got large format retail. We've got e-com and we have got exports. So on the general trade, we've seen growth. We had a sell-out approach. And that's why I said let's look at a larger period of Jan to June. We had a sell-out approach and focus on sell-out in e-com. Sell-in largely happened in Q4. And we degrew in exports because we were slightly dependent on one African country where there have been geopolitical situations. but that's the larger impact.

So, in the general trade, we did see growth in both DTM and non-DTM. The other businesses where we had a sell-out approach in quarter one, but we have done decent sell-ins and, hence, my overall perspective is to look at a Jan to June period. And exports, we did suffer because there was slightly high dependence on some of the African markets, which had a geopolitical impact. So that's the larger context to it. I will not be able to share each parts percentage contribution and the impact, but that's it, if that answers the question.

Nikhil: Sure. Secondly, see, we've been in this investment phase for the last two years. And I understand all this investment is important for growth. And I think, if we go back in our calls for last one year or six months, we have been mentioning that probably with Hyderabad coming in, probably with these investments nearing completion or the rate of investment not going to be at the same rate as it has been done in the past. The managements or the organization's goal on the margin side was to reach at least double-digit EBITDA margins. While on the gross, I think we've done a great job and we are close to or, in fact, better than our historical numbers. How do you see the journey to that double-digit EBITDA margin? Is it purely driven by better growth, which has to be a necessity? And if that is the case, how are you setting up the goals on the growth side? Or are there other levers for us to reach that double-digit EBITDA margin?

Ravindra Singh Negi: So Nikhil, let me just first tell you that whatever we have taken as strategic pillars for growth, the execution of some of that takes time. The DTM markets, while we say 10 states, it takes a huge amount of effort to grow and change the complete distribution structure on ground. And hence, we've been very cautious and calibrated in our approach. As I said, every time you do a DTM transition, in the interim, you tend to lose market share and the revenue. Our approach was to minimize that. The plant at Hyderabad is a greenfield plant, and there were other larger geopolitical issues for which it got a little behind the schedule. So some of these investments that we've done or even if we say that our focus has shifted or we will start participating in the digital footprint of the consumers, to become a choice of brand in that, it takes a little bit of time. Our investments on service, the service transition, when you do that service transition, there will be a time when you will have a slight double cost impact that's happened. So, while we are doing this, we are not doing this zero-one at a given point of time. We're doing a transition in a phased manner. And hence, when you look at that we've been saying the strategy in action for the last two years, it's been a phased, cautious, calibrated execution, which is happening. We will continue to do this, and that's why we said, while the benefit at the EBIT level will start to flow, the first sign up to come at the gross margin level, which means that to get this growth, we are doing the right things of getting our cost right, our cause right, our mix right. If there is a commodity price increase happening, passing on to the consumers, and we are not getting this growth by discounting in the market. And hence, gross margin is the first indicator. Once we start stabilizing and getting a better leverage of our investments, you will start seeing improvement in our EBIT margins also. So first indicator, which will flow through the EBIT is the gross margin. And that, I think, is a good indication to start with.

Nikhil: Sure. Appreciate that. Just last question from me. See, you've been in this industry for pretty long and you've taken multiple hats. As an external and probably you may skip if you don't want to answer this, but as an external person, when you looked at Orient from being outside the organization, what were the strengths which you believe the Orient, as a company, in this space really owns? Then what could have been vs the other players in the industry? And where do we think we land?

Ravindra Singh Negi: So Nikhil, I've been in the industry for five years. And yes, I've seen the industry and Orient from a competitor's view as well as from now inside it and these are personal views and I would not like to share this, but I can only share that there is a strong brand strength with a strong resilient organization. There is strong consumer pool that gives us a different space to operate in. And all these strategies that we put in action will result and give us much better traction.

Nikhil: Okay. And just last question. See, Orient as a bouquet, when we look at our presentation, there are multiple product segments, but our dependence on fans have been really high. As MD, are you thinking about that probably we need to build the newer pillars of business and is the investment which we have done in the last two years in terms of distribution and all, going to support the growth in those segments, which have been small for a long period of time?

Ravindra Singh Negi: Yes. So if you look at it, our dependence on fans only has come down over the last few years. We will continue to outpace and do better in the fans industry, and we have a sizable share and a sizable consumer preference in the fan. Our lighting has done reasonably well. There are incubation business, if I were to call them, they've grown at a faster rate. Our investments in terms of setting up on the distribution and other things and on people and structures will start giving us cap, unlocking the potential in all these segments. We will focus and drive these as well as look at driving our core lighting very differently.

Nikhil: Thanks a lot. Thanks for providing your perspective.

Ravindra Singh Negi: Thank you, Nikhil.

Moderator: Thank you. The next question is from the line of Mr. Achal Lohade from Nuvama Institutional Equities. Please go ahead.

Achal Lohade: Yes. Good morning, sir. Thank you for the opportunity. Sir, my first question is with respect to the employee cost. If I look at the employee cost for the quarter, it's up 15%, and it's at INR77 crores. Is that a run rate? Or could there be further increase to this run rate when you talk about investments.

Ravindra Singh Negi: So Achal, this quarter, the employee costs had impact of the increments and other things. Over a period of time, as I said, we've made investments on the structure, and I think is this the going rate. Obviously, the structures have been put, we will leverage this employee structures much better to get our top-line growth and other things.

Achal Lohade: Got it. Yes.

Saibal Sengupta: Achal, frankly speaking, this employee cost that you see has also an element of wages built in it, which will have a variability with the production as well. So on a quarter-to-quarter basis, there will be some moderations that will be happening. That also, you have to account for it. But yes, more or less, all senior management onboarding is all completed. There is no major restructuring that is happening. But yes, there will be follow-through of spends that have got done in the previous 12 months. That is what you are seeing the growth. Frankly speaking, if you see earlier quarters and we used to answer these questions from your side, is that growth was even much, much deeper and higher when we started doing all this. That is getting normalized and evened out as we go ahead. I hope that answers your question.

Achal Lohade: Yes, yes. The second question I had was with respect to...

Moderator: Sir, may we request you to return to the question queue for follow up as the other participants waiting.

Achal Lohade: Sure. Thanks.

Moderator: Thank you. The next question is from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.

Gaurav Gandhi: Yes. Thanks for the opportunity. Sir, in a competitive and saturated market, like fans and light segment, to grow in terms of revenue faster than the industry will always be possible through innovation we bring in our products and our focus on R&D. Because whenever we go into the market to buy such products, there are so much similarity in the product range of all companies eventually consumer ends up selecting what is different. So how do you see this that our product positioning in the competitive environment, the product appeals to the consumer and our focus on R&D to introduce something new.

Ravindra Singh Negi: So Gaurav, I think what we do is we build as an organization, a lot of consumer centricity in our DNA. We've understood what the consumers are wanting. All our entities are now catering to what consumers are wanting. And in a cluttered market, what is that will stand out in terms of consumer preference would be a brand that they trust, would be a product which solves for their need and would be a brand that provides them after sale service with the right experience. I think in all these larger and obviously, the accessibility and availability from a distribution perspective, all those will start to matter. Also, there is this whole influence that the consumer gets when they look at the digital aspect of it, when they do their reviews and ratings. Our complete focus is to look at the complete gambit of where a consumer's journey starts to happen. And we've made investments in all aspects. That is where what we think that as a brand, we will tend to gain more than competition, more than the industry and obviously, we have a little bit of head start of having a good consumer preference in many cases. And we are dialing up the premiumization much better now with our new products that we are launching.

Gaurav Gandhi: Fair enough. Thank you very much.

Ravindra Singh Negi: Thank you, Gaurav.

Moderator: Thank you. the next question will be from the line of Arshia Khosla from BOB Capital Markets. Please go ahead.

Arshia Khosla: Yes, hi. First of all, I would like to congratulate you for being there. Sir, quickly, my question would be like Hyderabad facility is now commissioned and the production is ramping up, I would just like to understand how is the export potential, especially for TPW Fans? I mean there's a lot of growth potential over there. So how are you looking at it?

Ravindra Singh Negi: So thanks for the question, Arshia. When we looked at Hyderabad, there's a location and we've put up a industry 4.0 plant there. Our entire purpose is to get our cost structures of manufacturing TPW there. While it will cater in the beginning to the South and Western part of India, we also expect with our cost structures coming down there, we will be able to create a competitive product for exports also. So the work is on. We will start leveraging the entire Hyderabad cost efficiencies in the next couple of quarters. So we will see. But yes, obviously, the intent is that we cater to the West, South and the export market through Hyderabad plant.

Arshia Khosla: Sure. Understood, sir. And quickly, if you could just give me the percentage between the fans category in your premium and general fans, I mean if you can share that across?

Ravindra Singh Negi: We don't share that Arshia, but all I can tell you in the premium and the super premium, we are one of the top players in terms of market share.

Arshia Khosla: Understood, sir. And premium would be including the BLDC, right?

Ravindra Singh Negi: Yes. It will include BLDC.

Arshia Khosla: Okay. One more quick small question, if I could just squeeze in?

Ravindra Singh Negi: Yes.

Arshia Khosla: So in lighting, I mean, we've done exceptionally well as compared to peers. So the lighting and switchgear segment saw that growth, is because of the market share gains?

Ravindra Singh Negi: In lighting, we've been seeing a consistent market share gains over the last few quarters, and we are inching up, and that's a good encouraging sign for us. I think our teams on ground are doing a great job. So that's what I can tell you, Arshia.

Arshia Khosla: Sure. Thanks a lot sir, and all the best.

Ravindra Singh Negi: Thank you.

Moderator: Thank you, ladies and gentlemen. The last question for today will be from the line of Ashish Shriram from JM Mutual Fund. Please go ahead.

Ashish Sahukar: Yes. Thanks for the opportunity. I had a question on your EBITDA margins. The last time around, Deepak mentioned that we aim to achieve early double-digit margins in the next two years. So, June that we are around 5% this quarter, is it something in your mind if you could share, at what rate do you plan to exit FY25?

Ravindra Singh Negi: So Ashish, as I explained, so when we make the investment, and I said all these strategic pillars and the investments behind them, there is an execution that happens in a cautious calibrated execution of this is happening. The first parameter, which we said is that if we were to do all these cost structures and we start getting leverage out of it. The first sign has to come in to gross margin, which is what we are seeing. Our purpose is to sustain those gross margins. And once we start getting a better leverage of the cost structure that we put, we will start seeing in the EBIT. Is there a way that you want me to tell you a time, when we'll start seeing it. I hope that we should start seeing it soon.

Ashish Sahukar: Fair enough. That's perfect. Sir, lastly, pan-India, you didn't elaborate your strategy, but do you feel that there are still some white spaces or probably in Western India. Do you still see some pain in this kind of markets?

Ravindra Singh Negi: Obviously, their white space not even at Pan India level, even at every micro level that you look at it is our execution and the market share consistent across the country, not and that's true for any brand, there are preference in pockets where the brand is found if execution is better. Those are the ones where we get. Our job is to keep narrowing this disparity between a strong market and a weak market. And we will continue to do that.

Ashish Sahukar: Perfect. This is helpful. Thanks and all the best.

Ravindra Singh Negi: Thank you, Ashish.

Moderator: Thank you. Ladies and gentlemen, the last question for today will be from the line of Vidit Trivedi from Asian Market Securities. Please go ahead.

Vidit Trivedi: Yes. Hi sir. Thank you for the opportunity and congratulations on your new role, any guidance on capex front for this year and the coming year?

Ravindra Singh Negi: Vidit, our large capex was on Hyderabad plant, which we've done. Our purpose is to now leverage that. As of now the regular capex of NPDs and expansions and capacity improvements and other things that we do, any large capex as of now, not yet, but if there is, we will come back to you.

Vidit Trivedi: Okay. And sir, just a last question, if you could just give me a breakup on the domestic and export sales, any growth number, you have already mentioned that on the exports front, there was a degrowth mainly because of the geopolitical tension, so any number to that?

Ravindra Singh Negi: So, we don't give a breakup, but exports, I told you, as I said, there are few geopolitical issues that we had. And we had certain large dependency on some of the countries there in Africa, which has de-grown. We've tried de-risking it through others, but it was large dependency, which we couldn't do. But otherwise, we don't give a breakup on this.

Vidit Trivedi: Got it sir. Thanks a lot and all the best.

Ravindra Singh Negi: Thank you, Vidit and thank you everyone.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Ravindra Singh Negi: Thank you everyone, and thank you for your wishes. And thank you for joining this call. And I'm sure we will take all the feedback that you guys have given. And thank you for participation.

Saibal Sengupta: Thank you everybody. In case if any questions remain unanswered, you please feel free to reach us out either through the investor email ID or you can reach us directly as well. Thank you so much.

Moderator: On behalf of ICICI Securities, that concludes this 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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