May 17, 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 and year ended March 31, 2024.

Dear Sir / Madam,

In continuation to our earlier letter dated May 10, 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 Audited financial results of the Company for the quarter and year ended March 31, 2024, scheduled for Friday, May 10, 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: 2024.05.17 08:08:37 +05'30'

Hitesh Kumar Jain
Company Secretary

"Orient Electric Limited

4QFY24 Earnings Conference Call"

May 10, 2024

MANAGEMENT: **MR. DEEPAK KHETRAPAL – VICE CHAIRMAN AND MANAGING DIRECTOR – ORIENT ELECTRIC LIMITED**
MR. SAIBAL SENGUPTA – CHIEF FINANCIAL OFFICER – ORIENT ELECTRIC LIMITED
MS. AVANI BIRLA – PRESIDENT, STRATEGY – ORIENT ELECTRIC LIMITED

MODERATOR: **MR. DHRUV JAIN - AMBIT CAPITAL**

Moderator: Ladies and gentlemen good day, and welcome to Orient Electric Limited Q4 FY '24 Earnings Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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 Mr. Dhruv Jain from Ambit Capital. Thank you, and over to you, sir.

Dhruv Jain: Good morning, everyone. Welcome to Orient Electric 4Q and FY '24 Earnings Call. From the management side today, we have with us Mr. Deepak Khetrapal, Vice Chairman and Managing Director; and Mr. Saibal Sengupta, the Chief Financial Officer. Thank you, and over to you, sir, for your opening remarks.

Deepak Khetrapal: Thank you, Dhruv. A very warm welcome, all, ladies and gentlemen. It's always a pleasure when we find that so many of you are interested in our business of Orient Electric and find time to join us. With me on the call, I believe, is not just Saibal, our CFO, but also Ms. Avani Birla, the President of Strategy in the company, and she's also on the call.

In terms of, let's say, where do I start with the results. I'm quite sure all of you who are so keenly interested in our company, that you would have seen the results that we've declared yesterday. And I'm sure most of you would have also seen the highlights, the presentation that we circulate. But even then, I think I'll just go through the highlights as we see them here and give you a little bit more perspective on what we've seen the numbers that have come out.

One thing I certainly want to point out, right from the start, is that I'm sure you would have noticed and perhaps appreciated that the theme that we've been outlining in the last few earnings calls, every quarter, is that the theme has been sustained, and we were playing that out in a very consistent manner. And what I mean by that is that we've been promising that we are focusing on our top line growth, and we are focusing on gross contributions or gross margins growth, which has stayed completely in line with our promise of our indication. And there are obviously investments still going on, large costs, which I know, are not being as productive as they need to be. And I'll come to a little more detail. But the theme of top line growth and gross margin growth has been sustained. The revenues, as you would have seen -- in Q4 at Orient Electric level, we have reported a very robust growth of 20%. And this is -- I'm calling it robust despite the fact that all of us are aware that last year, Q4, especially for the fans business, was a soft quarter. And as a result of that, we have some base effect certainly playing in the overall large growth. But let me come to a little more information on that.

The ECD, our Electric Consumer Durables division, in that, our sales have actually grown by 24.3%. And Lighting and Switchgear by about 9%, which is a little modest compared to what ECD has done. Now within ECD, the fans business, as I was saying, because that's the business which really had the hangover of the low base effect of last year. So, despite the low base, when I report to you that our fans growth is actually at 29%, which I'm sure will give you an idea of how in a very consistent and very, I would say, intense manner, we've been trying to develop our fans market. Basically, 29% growth most certainly guarantees that we have gained back our market share to a very significant extent. I think last few quarters, perhaps we were not where we needed to be. But with 29% growth in Q4, it seems that we have our at least go-to-market with the products and with our distribution system back on track.

For the full year also, in FY '24, the fans growth has been at 15%, which I'm quite sure is ahead of the industry. Within ECD, the appliances actually having a more modest under 5%, 4.5% whereabouts. And as a result, the ECD, as I mentioned, overall is 24.3%.

In the Lighting business also, given what we are going through in the lighting industry, we have over 9% growth in Q4. This is despite the fact that in the LED lamps, we've had continuing price deflation. We have grown in volumes on every sector, but I'm talking about lighting. But -- I think in the progress that we've made in our professional units or B2B business, I think we have done some really, really good work and have been gaining strong new customers, not just supply of Professional Luminaries, I think we've also done very well in terms of booking some really prestigious projects, not just booking them, but also executing them in a manner which actually is auguring well for our future projects. Because I think our track record in executing projects has been liked by all the customers for whom we've done the job. While till the last quarter, as reported, the Srinagar smart city has one of the -- that has more complex but more rewarding jobs for us.

In this quarter, I'm happy to report that we've also done façade lighting at -- in Dwarka, the Sudarshan Setu that our honorable Prime Minister had inaugurated just a few weeks ago. And in fact, on his personal handle, he's carried a video of that bridge. And most of it , if you've been able to see, it is the work done by our professional lighting division or façade lighting division there.

And also similarly, in Ayodhya, we have done some work around the Ram Mandir. Obviously, it's a very large project. We only had a small share of that, but we've done some work there. And we also done the lighting work for the Jagannath Puri Temple, the Parikrama there. So these are some of the major, I would say, projects in the Lighting division, I wanted to highlight.

So besides the normal lamp sets, we call them that business, we obviously are now making very strong strides in the Professional Luminaries and also the façade and building lighting. When we look at the year as a whole, our turnover is slightly over INR2,800 crores, which at the overall company level, is growth for the year of over 11.2%. Within that, the full year growth for ECD is at 13%, just under INR2,000 crores, and the balance is from Lighting and Switchgear, which have grown by 6.7%.

The gross contributions in Q4 for FY '24 has actually shown a very robust increase of nearly 250 basis points, both compared to the previous quarter and also compared to the previous year, which I think is, with the strong top line growth that I've just reported, then we are reporting gross contribution to gross margins again, delivering very strong development there and the margins are very close to 31% in Q4.

And this obviously has been a result of, I would say, most importantly, a better product mix that we've been able to push into the market. We have been able to improve our realizations per unit sold by us and obviously, the sustained cost management that our entire team is focused on. In the Lighting business also, despite lower realizations per unit, I think our gross margins there also have shown an improvement, which we are very happy about, because on the lamp side, we've been losing prices. And although the costs are lower, but obviously it shows. But the gross contribution that we should be getting from the projects like facade lighting or from professional luminaires, that's also helping us. In that division, there might be a little bit of a drag on the overall margins as we grow our switchgear and the wires business. As you know, they are still nascent businesses. They're still being nurtured by us. And so overall, we report lighting and switchgear, but lighting has done better. Switchgear and wires perhaps will take a little more time before we start seeing their contributions. Wires perhaps will never get as high a contribution as lighting and switchgears make. But switchgear, we see an improvement, and I'll tell you what we are doing with switchgear going forward.

In terms of when I'm reporting good growth in top line, good growth in gross contribution that we earn, however, these strong strides forward have still to show up in our EBITDA, which we acknowledge completely. But let me just point out one thing that the reported EBITDA for the quarter at INR31 crores. While it's looking below the desired levels, and it is, however, one key differentiator here is that in this quarter, we have made a provision of close to INR19 crores towards the EPR liability, which has come to all the industries which are consuming anything which the government deems needs to be recycled in the interest of Green Earth.

So that is about INR19 crores a hit that has come in. And there is also, we felt that when we were doing the, I would say the final accounts, the final verifications, we've adopted a slightly more stringent provisioning policy this year. A few of the things we thought we must sort of clean up our books about, not because something was wrong, but just because I thought our governance standards perhaps mandated that we provide for a few more things. So that's another one time hit of about INR4 crores in this quarter. So total close to INR23 crores of hit on those adjustments. Just to make an apple-to-apple comparison, I'm no way saying that the INR31 crores is something that we are happy with, but just to make sure that the comparison is more robust. So if we add the INR23 crores against the EBITDA, which we are reporting of INR31 crores, it actually would be close to INR54 crores against INR44 crores in Q4 last year. And similarly, doing an apple to apple comparison for full year, the EBITDA would perhaps be more around INR167 crores, INR168 crores, but other INR149 crores, which has been reported in the numbers that you've seen.

Well, despite that, I'm not saying that these are the results we are happy with, that were the results we were seeking. We still need to do a lot more work, but these things give me and my entire team a lot more confidence that we are at least on the right track. Keep growing the top line, keep growing the gross margins, and also manage your costs well. And also, like I said, having adopted a little more stringent provisioning policy, we still are continuing with the rest of the work that we need to be doing. What I mean by that is, while the significant investments that we are making for strengthening our organization's capabilities, and they have started showing results in the top line and gross margins, honestly, these investments are geared or aimed at achieving a much larger growth and margins, and we are working towards that. As outlined earlier, the overhang of these investments are yet to bear the fruits fully, and we are assuming, or rather, not assuming, that's the wrong word, we are expecting that, as we are beginning to see the improvements in many other areas, perhaps it's a matter of just another two quarters, and we should be able to show the net results at the EBITDA level as well. We are working towards that, and we want to definitely come back to the EBITDA percentages that our shareholders expect from us. Give us a couple of more quarters and we should be back there.

The short-term view of not making these investments perhaps is going to hurt us more in the longer term, and that's why we seek your indulgence to continue the efforts that we are making to basically make sure that the organization is prepared to handle a lot more ambitious plans as we go forward.

Coming to strategic initiatives, I'm extremely happy to report that the states in which we've decided to go direct to the markets, replacing some of our legacy distributors, in those states we reported 46% growth. For the full year in the states where we've gone direct, the growth is 65%.

Now, this obviously convinces us that this is perhaps the right thing to do, and wherever we are finding opportunities, as you would have noticed, we've already gone direct in two more states within the first few weeks of this financial year, then one more state which is being planned sometime within this year, and maybe one more. There are three to four states I think we'll take up for direct distribution within this financial year, and what that does to us is not just we are growing better, but because we have direct access to the markets, and we are able to do, I would say, a lot more work to have better penetration in the markets. And we are also able to create and achieve a lot more section of premium categories, because somehow the master distributors are always reluctant to really support our more ambitious SKUs in the market, because they thought they were too expensive or too risky, but when we go directly, there is a lot more room available with us to push the right product mix in the market, and that better improved product mix also shows up in the average price realization that we have.

In terms of the legacy distribution, it continues to disappoint us, because the overall growth for the full year, we've actually had disappointment there with a very marginal, there is no growth, there is very marginal de-growth actually, which is what is worrying for us. We will perhaps pursue this going direct to market and have more impact in the market.

The other, I think a project which has been a very fond project for all of us has been the project of growing our presence in the South India market. In our Grow South project, I'm delighted to report that in this year, our overall sales, 32% of our overall sales are now coming from Southern India, which I think is a huge, huge, huge leap forward from where we were for a long time. We knew it's a very large market, but somehow our presence there was not enabling us or the weakness in our presence there was coming in the way of our achieving what we needed to achieve there.

So I'm delighted to report it's a 33% growth during the year in South markets, and now our total, as I mentioned, nearly a third of our revenue is coming from South. E-commerce is another area which we've been focusing on, that we know is an expensive way of doing business, but we are there, and in Q4 itself, our e-commerce growth is 85%. And for the full year in e-commerce, our growth this year is 75%, which actually just reflects the new approach that we have adopted in the e-commerce.

And also, the other area of focus which we are not fully rolled out yet, but the so-called modern retail or large format retail, all the very large retail stores that we have, in that we are beginning to work with the topmost partners in India, and going to make sure that our presence in the large format stores is also a lot more noticeable by everybody. And in this particular year, in the last few months, the work that we have done, the large format stores have reported 80% growth in the quarter, although for the full year it's just 13% large format stores, but the thrust on this has actually started just a few months ago, and we are already seeing a huge traction in the large format.

We continue to work on the product mix, as I mentioned earlier, and also the product, the market mix to improve our realizations. We continue to intensify our efforts to improve efficiencies and our procurement that we do from the market, and a very intense project, as we keep referring to it, the Project Spark Sanchay, that keeps gaining more and more strength and more and more traction. So that's being continued.

Another area that we've improved very dramatically in the last few months, I must call out, is in our supply chain, the way we distribute our product, our warehouses, the locations, the transportation, entire logistics around it. And not to deny the fact that we've also been fortunate in having some tailwinds in the form of the benign commodity prices, which is, like I said, which is with the industry or with the economy as a whole, but yes, we too benefited somewhat from there.

In the last earnings call, I referred to the new challenge coming up in terms of the BIS standard being imposed on ceiling fans and all fans needed by a certain date. And I think there was a little bit of anxiety in our minds whether this will actually get implemented or it will get extended. But I think in February, the transition has happened. And I'm, again, very happy to report that all of our ceiling fans that are in the market today are BIS or ISI marked. So that's a huge, huge shift in the, I would say, government policies and the new regulations, but we managed to meet them successfully.

The next transition that is going to happen is with our tables, pedestals, and wall fans, which will be, again, subject to BIS certification starting September. And we are now getting up to make sure that there are no hiccups, at least from our side in delivering the fans to our customers.

A thing which causes us a little bit of concern and we are beginning to sort of inhibit, take action there, we do realize that our new product development for which we had a very good name in the market for many years in the recent past, we've not done what the markets and the customers expected from us. But having realized that, we, very recently, strengthened our R&D effort by inducting new professionals from outside, who come and sort of joined our team. And very soon, I think our track record of introducing new and innovative products will be back on track, and that's something that, again, will be liked by all our customers and coming out of that, I'm sure all the investors will be happy with that.

The one -- another area in which we promised that we will be focusing on is improving our after-sale service to the consumers. And on that, we've again made investments and significant strides, and I'm delighted to report that the impact of our improved service is already being acknowledged by our customers and also the trade, who gets to hear it from the customer. So we're very happy that the changes that we made in service side are also beginning to be noticed in the market.

I don't know how many of you have got it, because obviously we are not spending huge amounts of money during this IPL and elections right now. But some of you who have seen it, I'm sure you would have seen, there is freshness in our branding and marketing efforts also. What I'm referring to that you might have noticed is the new TVC that we launched a few weeks ago. It establishes the future of fans, in which we have our brand ambassador Dhoni in a new avatar and he's talking about that he's seen the future of fans already. So if a few people have not caught the TVC, please catch it. It must be available on our YouTube channel as well. So please see it, I'm sure you'll love it. Anybody who's seen it we're actually getting very rave reviews to that campaign.

We have an ongoing project, which we call Project Orange in which we are actually really strengthening our presence at the retail counters, not just large format stores but many other smaller stores who retail fans to the customers. We are doing on-the-counter work to -- Project Orange we call it because that's our corporate color. So, we want more and more retail stores in the hinterland of our Bharat to look more like Orient fan stores when you're talking about it. It's actually all Orient products, but fans has been the major thrust area basic where the distribution is very, very large. This kind of a rebranding at the retail counter at the point of sale as it's known is increasing our engagement with the final consumer when they are making the decision at the retail counters.

Our out-of-home advertising approach has also been refreshed. And in the hinterland, people who have access to that, will likely see our communication being really displaying a very micro local level sensitivity, and the messages are being designed for the cities, for the particular locality, which again will be appreciated by everybody, including the consumers. We've seen the new communications approach. So, a good job on that front also by our marketing and branding team. Obviously, it's our job as well people who are in the market to sell more products to leverage those communications by selling more of the products that we think the consumer should be using. In the middle of all this, we've also managed to commission our new factory, new plant at Hyderabad. I know it's been delayed somewhat, and the reasons were difficulties in being able to get the engineers from China, our vendors with the equipment to come and commission our plant. But I'm happy to report that on 6th of May, we've commissioned the plant, and we've already started dispatching and invoicing TPW fans, our table, pedestal, wall fans. While that activity has started, the two lines of ceiling fans also are under commissioning. And hopefully, by the end of May, we'll start dispatching ceiling fans also from there.

While the commissioning and start of production has happened, I must outline here that while our factories were coming up, we also were expecting lots of our vendors who supply us components to be ready. Unfortunately, because of the delay at our plant, those people had slowed down their preparations. We are working with these vendors who have set up facilities in Hyderabad to feed our plant. It's a few weeks' time before their capacity will ramp up enough to give us enough material to start producing fans at the current needs. All of you will be curious about what's the capacity and what's the size that we can expect from the commissioning of Hyderabad plant? The fact of the matter is that the capacity that we've built at Hyderabad plant can more than double our sales as we stand. So it's a very large capacity being setup or rather setup now.

The limitation will not be in terms of our ability to manufacture the product. The limitation might be in our ability to create enough traction in the market to be able to sell that many more fans, which is an activity which obviously now that we know that we have a production capability, we'll start driving that part a lot harder. To get to doubling the fans, will take a little while, because we can't suddenly change the market or change the customers. But we are fully ready from the back-end side. Now the work really starts, the frontend to start getting a lot more share of the growing fans market. So that's an update on the Hyderabad factory.

I did mention about switchgears, which also -- we've been in the market. But as luck would have it, we've chosen a European technology which is more expensive than what the markets are used to and what the consumers are willing to pay. We have now installed and commissioned -- it's not a very huge investment. We've been again invested in our Noida plants, where we make the switchgears, to bring out more competitive switchgears and the new production lines are a lot more efficient. So there, again, the margins will improve as we go. So that's the, I would say, the full story on what we are trying to do to introduce more products to the market.

In Lighting right now, like I said, Lighting not much is required to be done. But on switchgear, definitely, we had to do some work. And we've already completed that and we'll be coming to the market soon with a very fresh approach to switchgear as well. The next area of focus for us now remains is switches, which again the work is on and in few quarters we will be able to sort of announce something that we will do differently going forward there.

On the financial matters, I think working capital, all of you would have noticed that we certainly have improved in terms of number of days of working capital that is on hand as of March 31. And post that, in fact, it's improved even further because towards end of March, the entire industry had to give a lot more credit to the distribution on the other channels because the winter so far, I mean, many of you would have seen got extended. And the pickup of our material was not happening in the month of Jan, Feb. So in March to not lose the shelf space, all of us in the industry had to give more credit to the channel partners, which has been given. So as of 31st of March, the receivables looked a little stressed, but that is playing in very handy because as the heat built up in the month of April and now, we are seeing in May, the demand for fans is very, very strong in the market, which is definitely good news. And the additional working capital is being normalized now. And there's a fairly robust cash in hand as of 31st of December, as you would have seen from the accounts on the balance sheet that we've given out. So that's the overall summary for what we believe are the important highlights of what we've done in Q4 and last year.

And perhaps we can answer a few questions as they come. Thank you very much.

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

Bhargav: Sir, my first question is on this EPR provision that you have done in this quarter. So just wanted to know that given that this is an industry phenomena, would the industry players take price hikes to pass this EPR liability? And also if you can quantify this liability for every year, what could be that number? That's my first question.

Deepak Khetrapal: Let me answer that straightaway. As you know, EPR basically imposed with backdated effect left us in no space to recover the past costs from the market. But we, at Orient Electric, we can tell you that beginning of April, we have taken our prices higher to cover the EPR costs going forward. So that's already being done, and that's already been recovered.

So here onwards, whatever EPR liabilities come, would be met out of the increased pricing that we've already passed on to the market. What the cost estimates would be, which we need to recover based on if you took the decision to increase the prices, we believe it will be for the year that we are in FY '25, which will be perhaps around INR21 crores, INR22 crores, in that range, but it should not hit our P&L because we should be able to recover this cost from the market.

Bhargav: Secondly, sir, I believe the McKinsey contract would have got completed in FY '24. So just wanted to know what could be the savings from this in FY '25?

Deepak Khetrapal: Look, while the work is over, just for everybody's benefit, there is the agreement that we had with them, there was a certain amount, which is variable pay. The last component of the variable pay will get paid out in the month of -- sorry, in this very quarter, in the very first quarter itself. So by -- so that will be accounted for in Q1 of FY '25.

See, quantifying the savings from there, I've stated that earlier so people have asked because these are contractual terms, with McKinsey, and I don't think they want us to go public with what exactly the term is. At the moment, I tell you what are the savings, you would know what the contract was. A little bit more confidential in that nature.

But the cost savings will be significant, not just because we're not incurring those costs, but also because the gains that we have. See, all these thrusts, whether e-commerce growth, LFR growth, Grow South and Sanchay, in all these areas, McKinsey helped us a lot. And all those benefits are coming in. And that the costs also, which we are hitting in parallel, they will stop after the first quarter.

Bhargav: And sir, my last question is, is there any update in terms of appointing a CEO, we were sort of searching for that. So if you can just highlight in terms of any updates, and that will be my final question.

Deepak Khetrapal: No. The search, as I told you earlier, has been on. I think we're getting close to the end of the search. And soon, once the decision has been made, obviously, we'll need to make a public announcement, we will make it.

Bhargav: Great, sir. Thank you for our thoughts and all the very best.

Moderator: Thank you. Next question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

Ravi Swaminathan: Sir, thanks for taking my question. My first question is with respect to the ECD segment, especially the fan category. What kind of growth we should think of, with respect to fans at a market level, given the hot summer that is there in FY '25.

And what kind of aspirational growth that we might be thinking for Orient in this? And how it can come, whether it's geographical reach expansion, et cetera? And apart from the price increase that is associated with the EPR, any other couple of rounds of price increase, is it possible? Has it been taken over the next six months or? If you can give your thoughts, that would be great.

Deepak Khetrapal: Okay. Look, as all of us do know that the fans market in India is not growing at the percentage of growth that we have either achieved what we are talking about. We know that it's -- fans growth is expected to be in single digits year after year.

As for we are concerned, we are planning to sustain over the next few years a double-digit growth, which could be in the region of between 15% and 20% year-on-year on a compounded basis. Here, the gain is going to be largely about taking market share, obviously. Because if the market grows at 7%, 8%, 9%, we are talking about 18%, 20%. And there, the fight is very intense when you want to take market share from our other competitors.

But we will be helping our quest through, like I said, one -- and the number of new things that we've done in terms of, as I mentioned earlier, I won't repeat them again. On top of that, the Hyderabad facility should give us a lot better access to the market with products available in better time. Because we did -- I mean, the fact is that given the current capacity that we had, during the peak season, we used to have a limitation on how many products we could make and deliver to the market.

So we've been a little constrained with that. Using that and on top of that; our marketing, our distribution, our Project Orange, service investment, all these things put together, I think we'll try and keep working at a percentage of growth, which will be close to double of the industry growth rate.

In terms of pricing -- over the next 6 months, what kind of price increase we will take. I mean, that's a very difficult question to answer. Pricing is dynamic. There was 1 question on EPR, which I've already indicated that we are recovering that from the market. Other price increases will be a function of many of the market dynamics, and we'll keep taking appropriate decision as we move forward in the market. There's no way to plan 6 months ahead, what price increase can we take.

Ravi Swaminathan: Okay. And in terms of the EPR cost on a recurring basis, if you need to track it like a metric, will it be like a percentage of the overall fans revenue or something of the sort that we need to kind of look into or how to think about it in terms of on a recurring basis?

Deepak Khetrapal: In terms of -- it's very difficult to be in percentage of sales purely because the pricing of the product is not related to our obligation in the EPR. So there are 2 different things. In a very -- I would say that would be back of the envelope calculation, if I've given an indication of about INR21 crores, and you divide that by about INR1 crore of fans sales, to maybe INR20-odd, around INR20 per fan. And the fan could be sold at, in the market, INR1500, it could be sold at INR5,000. So as a percentage to sales, we can't link. But more we are working in terms of price per fan or the cost per fan.

Ravi Swaminathan: Understood. And with respect to the lighting market, there has been continuation in terms of price erosions. Many of the industry players have doubt about pricing seeing likely to bottom out, et cetera. Are you seeing pricing in the land space is showing signs of bottoming out? Can it happen in the near future? If we can hear your thoughts on that.

Deepak Khetrapal: From what we are seeing right now, the erosion rate definitely has come down significantly. In the last 4 quarters, it has been falling very sharply. Going forward, I think the right term to use is, perhaps close to bottoming out, not bottomed out yet. And I don't think that the erosion should last more than 2 quarters from now. That's what our reading from the market is.

Ravi Swaminathan: Got it, sir. And if you can give a percentage breakup of…

Moderator: Ravi sir, Sorry to interrupt. Could you please return to the question queue for follow-up questions as there are several participants waiting for their turn. Next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Yes, Hi. Good morning. Thanks for the opportunity. Three questions. One on the ECD side, I have 2 questions. One is in the markets where this D2M strategy, we have been deploying, over the last 1.5 years, although the growth rates have been tremendous, can you talk about how our market share would have moved in those particular states where we have done it? Or if there is no exact data, if you can talk about how those markets would have grown versus our own growth? That is one.

Secondly, on the consumer durables, other than fans, you -- if I'm not wrong, we said our growth was around 5% to 6%. Can you talk about how the coolers as a segment has grown for us? And have you seen any market share gains over there? Those 2 are the on the ECD side.

Deepak Khetrapal: Okay. Let me answer because otherwise, it's very difficult for me to remember all the questions and start answering. So let me start answering that. See, on the DTM side, when I'm telling you the 46% growth -- there is no way those states have grown at 46%, you know that. So it's obviously coming at, I would say, coming through winning the market share. So very obvious, no market has grown by 46%.

And there, the big difference has been that we brought a very fresh approach to how we, not just distribute the products, but how we approach the consumer at the retail counters. Or familiarity with all the consumers need, the ability to put out very sharply focused SKUs at the right counters. There a lot of things that go into that. It's a very hard work that is going on right now.

So obviously, we are gaining market share because none of these markets would have grown by more than 8%, 9%, at best maybe 10% some rare market. So, obviously, there's a huge market share happening in those markets, including the South India as a whole, when we are saying that we have grown 33% in the year, South market is nowhere close to having grown by even double digits.

So there is market share gain there. Coming back to your -- the question on coolers, ECD. Yes, coolers is one segment, actually, which has -- which we have struggled with in this past financial year. That's a fact. There's been multiple reasons, untimely rains, extended rains happening and then the products not getting sold out in time, the channel sit with the inventory till very late. Towards the end of the year when the season starts, they are still sitting on last year's stocks. So, there are lots of dynamics which went wrong last year and we haven't had the kind of success that we wish to have in the coolers business. While we may not have grown in coolers, but we've done some really good work in our water heaters which are finding really good growth again. And in the kitchen appliances, small appliances as we call them, not just in the general trade I think the major win in those appliances is coming from our e-commerce because that's the market which actually is big in small appliances, kitchen appliance kinds of things. So that's the breakup, but coolers, yes, we struggled last year. We are actually currently thinking of rethinking our entire strategy on what -- how to approach the coolers market.

Nikhil: Okay. And one last question. On the lighting side, last year we had seen this continuous price drop and Ravi also asked this. Would you say that if you have -- while our top line growth had been around 8%, 9%. And you had also mentioned that on retail and if we do on B2B, B2B had grown very strongly.

On the retail, what would be our volume growth and has that negated the price erosion which happened last year. And the continuation, if we look at Q4, Q3, are you seeing that the price trends are now stabilizing or is it like still dropping? You said the rate of drop is reducing, but is it like now almost close to plus minus 5% or still around 8% to 10%?

Deepak Khetrapal: Okay. Again, lots of questions in one question. The -- whatever was the volume degrowth -- sorry the value challenge rather than any erosion that was coming in lamps we have managed to make up for that through the volume growth. That's a given. So, for lamps business have we had degrowth in sales? No, in rupees crores because we made up for the value loss through volume increase. So that's one answer to your question. The second question that you were asking about has the price erosion. I did say that it's -- since close to bottoming out, yes, the rate at which the prices -- the costs were coming down and prices were coming down. I think given whatever the -- not just our industry in India the whole world could do with that, as of now seems we have scraped the bottoms. And as when you say drops are now in small single digits, low single digits.

Nikhil: Thanks. I will come back in the queue.

Moderator: Thank you. Next question is from the line of Nirransh Jain from BNP Paribas. Please go ahead.

Nirransh Jain: Thank you for the opportunity. So, sir, my first question is on the lighting segment- the margins. I mean I just want to better understand like what leads to this volatility in the margin in the fourth quarter especially considering that switchgear is still roughly around 5% to 6% of our business, if I'm not wrong. So then this -- and we are growing very strongly in the professional lighting.

So will professional lighting be able to deliver better margins for us and how should we look at the lighting margins going ahead? So that was my first question

Deepak Khetrapal: Okay. Look, in -- what we have to realize is that while in the lamps and battens we just supply the product to the distribution, there are -- the cost of sales are pretty low. I think there is some confusion about how we believe margins and how the -- I think investors are looking at margin. When we talk about margins, we are talking about gross margin that is selling price minus the cost of goods sold. At that level, the professional luminaries, the façade lighting give us good contribution margins. Where it starts costing more is the whole, if I say, the cost of that operation. From having designers on our role, from having the execution teams for having continuing to sort of work with the customers during the execution period, that has many costs which become – which come in our books as fixed costs. So you are talking about margins at the EBIT level, as you've seen.

Nirransh Jain: Right.

Deepak Khetrapal: Let's remember the gross contribution are good in professional luminaries and also in the façade lighting and other projects like that. But the fact of the matter is the cost of servicing those orders is higher which sits in the fixed costs. And that's why at the EBIT level, it looks low, but that's a question of operating leverage because we already have designers on our roles now as the order book increases and we keep increasing the business, it'll start evening out. But it doesn't even out when you have a total business INR30 crores, INR40 crores, INR50 crores there, but you need the full team, otherwise you can't execute the project.

There's a little bit of dynamic playing out in that particular market. It's not straight away. It's not as simple as lamp supplies to distributors and retailers and the business goes on. It doesn't.

Nirransh Jain: Right, sir. That's very helpful. My second question is on the TPW fans. So like now since you have commissioned new Hyderabad facility, I mean, what kind of exports potential are we looking at because we have been talking about the huge potential that is there, especially for the TPW fans. And this year, we have grown our exports by mid-teens. So what is the outlook there? I mean, what are the targets? And how should we look at about this - catching this potential going ahead?

Deepak Khetrapal: Well, we've just commissioned the plant. We are stabilizing in production first, we are stabilizing the quality. See, in international markets one thing you must remember, we want to target, obviously, Western markets which are seeing summers like never before and the market for fans is booming there. But the catch there is to be able to export products in those markets we need to first have our production facilities in place, and we will need certification from each of the markets where we want to sell the product. I'm sure you're aware, all electrical products going into other markets need local certification also.

So starting with the process we are taking the initial baby steps towards that. I think in about two quarters from now, we can talk about specific targets for each market, but let's do the work that we need to do at this time. Capacity we have set up, how to use the capacity in a manner that we start having the rewards coming out of that, it will take a few quarters. It always happens. Any large investment that you make, it doesn't deliver from day one. Give us that time and we'll let you know as which markets we're able to enter depends on what certification they're able to prioritize and get early. And as we keep entering every market we'll keep talking about what numbers we can do there. So sky is the limit, but I think we need to be aware of how practically the business happens.

Nirransh Jain: Sure sir. Thank you so much for the answers.

Moderator: Thank you. Next question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.

Natasha Jain: Thank you for the opportunity. Sir, your opening commentary was quite detailed and most of my questions were answered there. You mentioned that Avani is on the call, so in case she's on the call I have two questions for her. These are more broader strategy level question. Sir, in terms of...

Deepak Khetrapal: Just one minute. While Avani is on the call, but I believe she is only in listen mode. She will not be able to answer. Ask the questions and I'll try and answer them, please.

Natasha Jain: So my first question is we've seen a lot of management change in the last 1 years to 2 years. So by now you must have internalized as to what went wrong with the top level, why that happened? And at the hindsight what changes you could have done? So can you tell us what changes you are planning to do in terms of making sure that, that doesn't happen?

And the second strategy level question, sir. On one side of the spectrum for fans is a company like Havells which continues to be expensive advertisement. On the other end of the spectrum is the leader Crompton for continuing to discount the channel. Now Orient I believe is not somebody who can either do expensive advertisement at this point, neither can we afford to discount the channel.

So how do you plan to navigate this? And what balance are you planning to strike here so that you do both, but do not get discounted because of the both the leaders in the extreme end. Those are my two questions?

Deepak Khetrapal: Okay. On the organizational side the question you have asked is a huge one. While we say last 2 years frankly it's a question to be answered the changes -- the one big change that we didn't go as we would have wanted it to go was the - at the level of the Managing Director CEO.

The previous Managing Director superannuated – he crossed 60 it was about 62 plus, and he had to retire. He retired. We brought in a new Managing Director for whatever reasons, that didn't pan out. I think some choices that we made perhaps were not -- not aligned with what the individual and his incumbent choices were, things didn't work out. I don't think it reflects hugely on the organizational dynamics.

You can take one decision which doesn't pan out the way you wanted. So that's as simple as that. The second big transition I would talk about is when our head of lighting business- he quits. So these are the two big ones. And obviously, the lighting head's going simply was a function of that individual aspiration of wanting to be MD of the company and the opportunity, which we at our company could not have afforded. It's as simple as that.

And when, obviously, somebody like our lighting head who's been with us for 10 years moves away, it's a question of loyalty and the people who are left with him. But let me assure you, there's nothing wrong with the organizational policy or structure per se. And it's not over 2 years. It's certainly from the time that the old MD, then the new one came in and then the dynamic started, but it doesn't mean that we are at all complacent about what our company needs to be doing.

In case you've not noticed for the fifth year consecutively the company has earned a Great Place To Work certification. That tells you about where the company is. But the problem is you people are seeing the attrition at the level which is -- where it's most visible. But the company, I think, we kept strengthening our HR processes, our people approach, how we deal with people. So that's been worked upon. And it will always be a work in progress. We'll never say we have arrived there. But yes, what happened during the last year, I mean, an unfortunate accident, but I think we've gotten over that and we're beginning to move forward.

And as I answered the other question, new leadership should be in place. And as soon as the decision is there, we will come back to all of you and let you know because that is the first thing we'll have to do, to announce to everybody that there is a new leader in place. But otherwise, please don't be too anxious about where the organization is. If we have grown despite all that and the organization was not in place, do you think we would have delivered the kind of growth that I've just reported to you.

I think the credit is to the group, that despite these things, we managed to keep our efforts, our eyes completely focused about the job and that's what has resulted in the improvements in topline and our gross contribution. They have not come out of thin air. If the organization was not there, it wouldn't have come. I hope you agree with that. It's not collapsed at all.

Okay, so number two, you're asking me a question about how will we respond to competitor strategy. Somebody is a value player, somebody is a premium player. Each competitor will choose the markets and the customer they want to address. We have been one of the oldest fan brand in India. We cater to multiple, I would say, strata of society. The only thing which I can assure you is that we certainly do not want to play in the market to gain share through cutting prices.

We want to be an aspirational product at every price point, which is the difference. Will we be there in the economy? Perhaps, yes. Will we be there in base? Yes. Will we be there in premium? Yes. But everywhere we want to be at a certain premium at that price point in that cut of the market.

So that's what our strategy will be to be hybrid and depending on which market, which city, which counter needs what, all the effort that we're making right now is actually going granular with the needs of the market and the consumer and cater to that and not get locked into, one brand does it, another brand does it, where are you going to go?

We are in the market for the longest time. And even if there are a few missteps here and there, we have the capability to correct them very quickly. Thank you.

Moderator: Next question is from the line of Rahul Gajare from Haitong Securities Private Limited.

Rahul Gajare: Good morning, and thanks for the opportunity. I understand last year has been difficult, but I was trying to see a slightly longer-term picture where revenue has grown by about 10% or profits have actually declined by about 2% over the last six years ever since demerger. And during the same period, new players have joined who have scaled up pretty well.

So now taking a slightly, say, longer time frame, say, over a five year period, what is the kind of growth that you would be happy with, both at the top line and bottom line? And if you can talk about the road map, and if that also means widening the product portfolio further? That's the first question.

Deepak Khetrapal: Well, when we sort of anyway talk about what our growth plans would be, I've just outlined how we are investing further to improve our backend a lot more. I did talk about the new production facilities that we've added. I did talk about the entire change in the supply chain that we are doing. I did talk about the service. I talked about branding. And what have I not talked about going direct to markets in the markets where we were weak? All of that is being done. It's a multi-pronged strategy.

In terms of what growth we'll be happy with, I just mentioned we'll keep targeting, at least in our largest market, which is the largest business even now fans, our growth rate will be close to double or whatever the market of the industry growth rate is. That's what our target has to be and needs to be going forward.

A bottom line, obviously, given the fact that we are perhaps not where our bottom line should have been, and we've been behind a few other players, we are very conscious of that. The moment we're able to fix the market share and the volumes- operating leverage, as it's called, I think everything else will start falling in place in terms of margin also. That's exactly the struggle that we've had in the last quarter. While we are able to grow, not just quarter, last four quarters, while we've been able to grow sales, we've not been able to improve or report improved profitability. And that, as I mentioned, is a sign of the investments we keep making to make sure that the growth that we're gaining keeps gaining more and more momentum.

That's all I can tell you. I can't sit down and talk about the interior strategy because, see strategy the companies do keep a little confidential before the rest of the market comes to know what exactly we're planning to do. What's there in the public knowledge, I'm telling you, but we would not be satisfied with the rate of growth at which the industry grows. We'll certainly want to do a lot more than that.

Rahul Gajare: Fair enough. Appreciate that. Sir, my second question is, is it possible you could split your fans revenue and share basically between regular and premium? And how each category has grown for you? And how the new product contribution has improved over the last, say, three years? And this is where your A&P and all will actually tell. So how much you spent on A&P last year and FY '23? That's the last question. Thank you.

Deepak Khetrapal: I'm not carrying all three years data with me right now to answer the question on this call. Sorry, I don't have it. But the last three years in the published reports, the results are there in everybody's hands. I can pick up, you can pick up and see what we've done. Last three years, yes, our spend on advertising and promotion was not as robust, as strong as it should have been. That is a fact. But the fact of the matter is we also have been trying to sort of correct some of the other things. Here is the sequence that I believe we will keep following for a little while. Not that we are not doing A&P, but we are perhaps not spending as much money as some of our competitors are. That's a fact, right?

Some of the newer players that you talked about, they are, when you say they have scaled up pretty well, excepting for one brand, which took a totally different platform, which was relative new to industry. I don't think any other new brand has scaled up well. Let me challenge you on that. Everybody else has not scaled up. Only one brand, I don't want to name it here.

So it's not that everybody else is scaling up and we are being pushed behind. Not true. A&P has been moderated. Yes. But it's because of one sequence. I believe product must be best quality. Availability of the product to the right counters is essential. Our after-sales service needs to be best quality and it needs to be supported by A&P. If we purely do A&P, not being internally in a position to address the opportunity that we create, it's a waste of money. So, we are being very careful in spending money on advertising and promotion in sync with what we are able to deliver to the market. As the business grows, the advertising promotion expense in this particular year are going to be higher. On IPL, on elections, we are going to be putting our new TVC and you'll be able to see how much money is being spent.

It's definitely more than the last two, three years. So as we see the improvement in volumes and margins, we will need to spend on the brand as well, which we're beginning to do. But when you say A&P, let's also remember that the project Orange that I spoke about, we have done thousands of shops all across India.

That's very much part of advertising. It may not be seen on TVs, but it's very much. When we are going micro-local in our out-of-homes in the more fossil towns in India, that's also advertising promotion, not visible to the investors, but that's going on. I hope that answers your question. Numbers, three years numbers, I'm not carrying, but I know they have been below par, below the industry. I agree with that.

Rahul Gajare: No worries. Thank you and all the very best.

Deepak Khetrapal: Thank you.

Moderator: Thank you. Next question is from the line of Praveen Sahay from PL Capital. Please go ahead.

Deepak Khetrapal: I think this will have to be the last question because it's already 11. So I'll take this question since you announced it, then I think we have to stop. Thank you.

Moderator: Next question is from the line of Praveen Sahay. Please go ahead.

Praveen Sahay: Yes. Thank you for taking my question. So, very precise, on the fan segment only, as you had already mentioned that the South India contributes 1/3 of your revenue, and now you are coming with the Hyderabad capacity as well. So your focus area is to increase the South contribution the way forward to improve the growth rate out there with this capacity, or to more focus on the cost saving or the margin improvement side versus this? And the second is how much is the contribution of your DTM states right now?

Deepak Khetrapal: Okay. Well, let's -- when you ask me about what our approach would be, it's never either or, it's always both. Hyderabad plant is going to obviously give us newer products, better products and also the cost savings. But it also needs to sort of help us in terms of expanding our markets, not just in Southern part of India.

See South India, we have taken up as a project. And I think we've done very well. Our market share has gone up. But I think the market is so large and perhaps, right now, we still are the largest in Northern India. And second is now South India. Because South Indian market is much larger, I think first goal would be to at least get the kind of market share we have in North, to get there in South India. That itself is a large growth.

Secondly, the other market in which we have -- for whatever reasons in the last couple of years, we have become a little weak is Western India, which again, a fairly large market of fans. So it's not about just going South India. We need to keep growing in South India and also grow in West. Would it happen without cost savings and improved quality? Obviously not. So that also will happen to both, not either or.

Praveen Sahay: Any color around DTM States' contribution, sir?

Deepak Khetrapal: Sorry, what contribution?

Praveen Sahay: So Direct-to-Market States' contribution?

Deepak Khetrapal: Yes. So as we speak, our Direct-to-Market sales have already reached about 30% of our sales done through double trade -- about 30%.

Praveen Sahay: Thank you, sir.

Deepak Khetrapal: Thank you.

Moderator: Ladies and gentlemen, that was the last question of the day. I now hand the conference over to management for closing comments. Over to you, sir.

Deepak Khetrapal: Thank you. No more closing comments beyond one. Thank you, once again. And secondly, for asking questions to us, which keep us -- keep reminding us as to what the areas of concern for all the investors are, we will take good note of that. I've provided all the answers for which I had ready information. But let me reassure you that some of the anxieties that have crept in about stability of the organization, the ability of the company to bounce back -- if there is a little shock. I think inherent capabilities of the company over its long legacy, it's not a new company. You're talking about a company which is going to be close to 100 years old. Not as a legal entity, but in terms of the products that we've been selling. All those processes are strong. They are being strengthened further.

We are going to be investing in every little thing, in our organization, in the products, in the markets, in the consumers. And end of the day, that will bring us better returns for the shareholders as well. So that effort will never lack here in this company and in this group. Hope that gives you some confidence in the way we are approaching. Thank you so much. Thank you.

Moderator: Thank you. On behalf of Ambit Capital, 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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