November 03, 2022

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

Trading Symbol: ORIENTELEC

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

Scrip Code: 541301

Sub.: <u>Investors' Release – Un-Audited Financial Results – September 30, 2022</u>

Dear Sir / Madam,

This is in continuation of our earlier letter of today's date and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), please find enclosed herewith the copy of Investors' Release on the Un-Audited Financial Results of the Company for the quarter and half year ended September 30, 2022.

Investors' Release will also be available on the website of the Company, www.orientelectric.com.

You are requested to take the above enclosed document on your record.

Thanking you,

Yours Sincerely,

For **Orient Electric Limited**

HITESH KUMAR JAIN
Digitally signed by HITESH KUMAR JAIN
Date: 2022.11.03 18:57:02 +05'30'

Hitesh Kumar Jain
Company Secretary
Encl.: as above

CK BIRLA GROUP

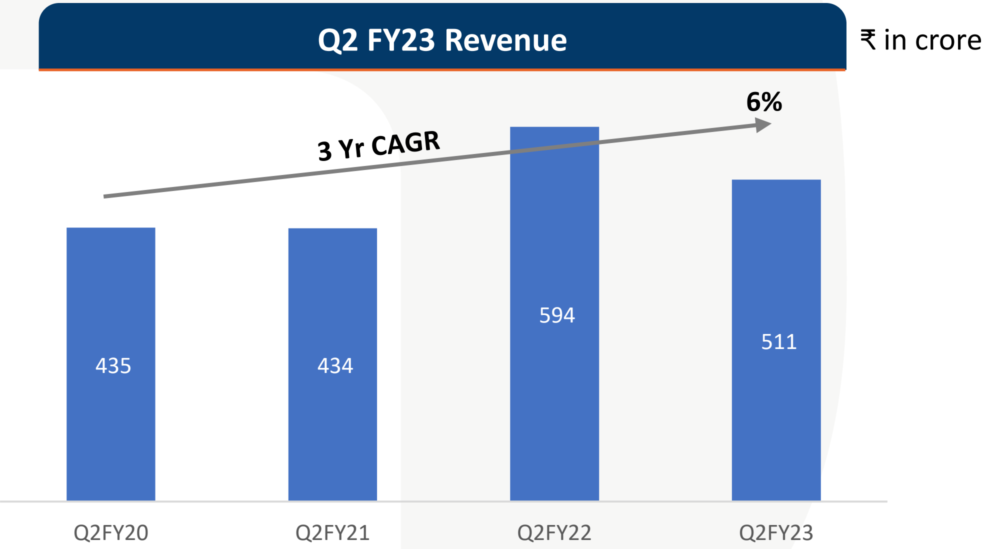
Orient Electric Limited

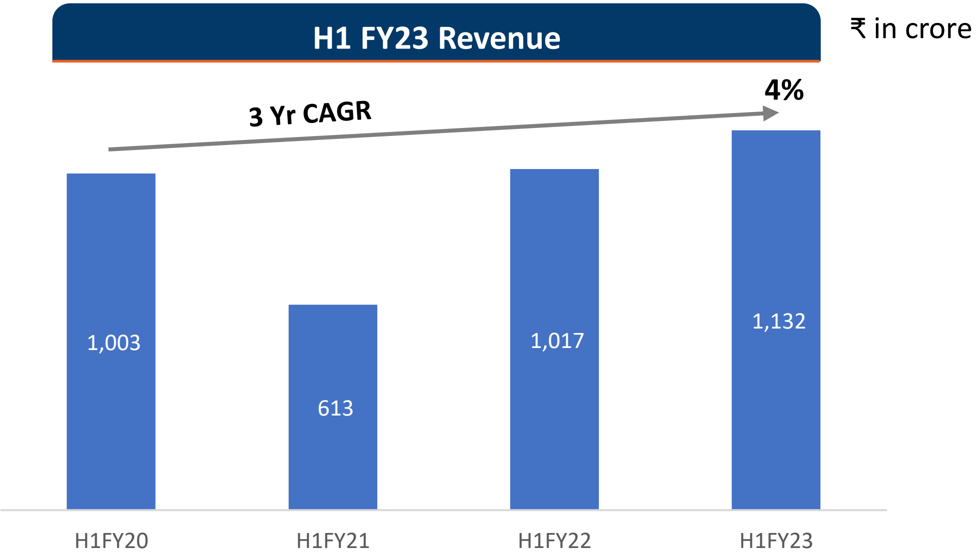
Investor Release

Q2FY23

Q2FY23 Result Snapshot

Orient faced a challenging quarter, but the rest of year looks optimistic



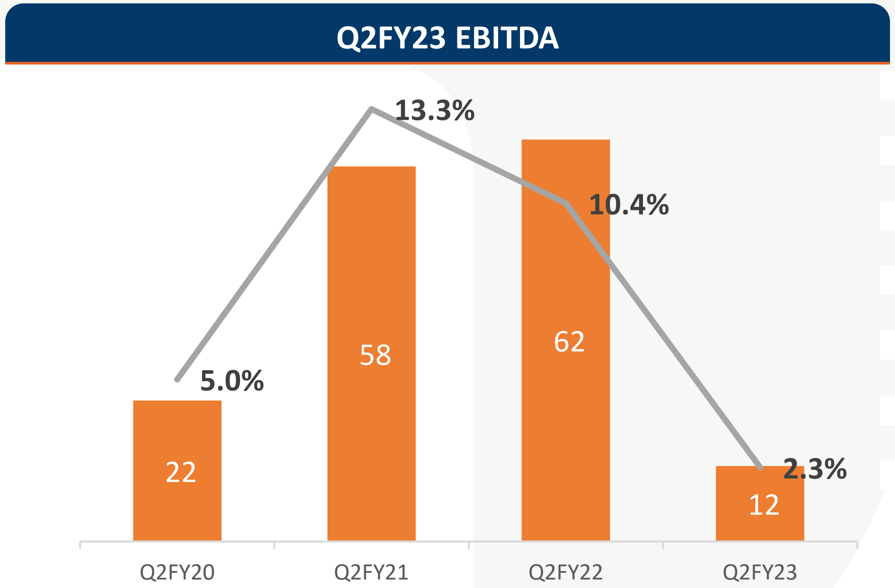


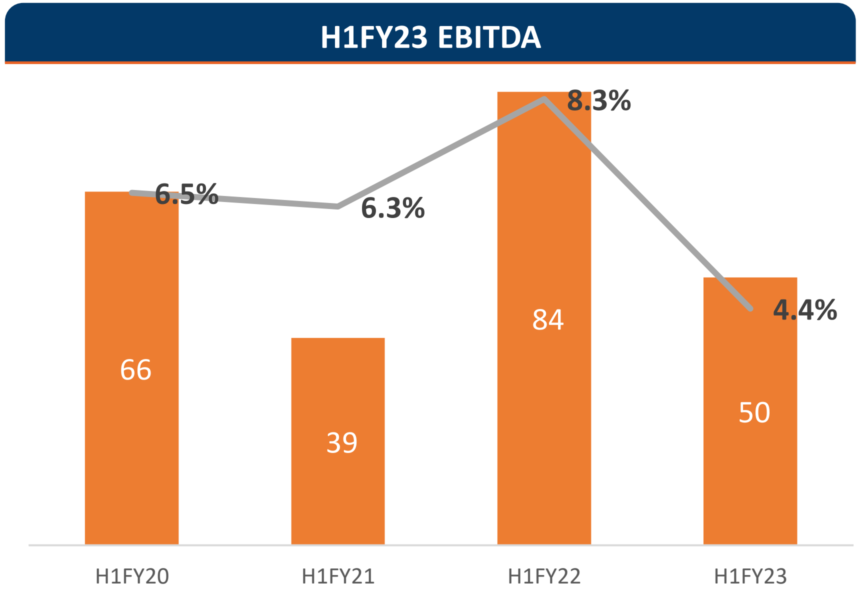
- In Fans, due to BEE Star rating transition leading to uncertainty regarding future product mix, raising hopes of price reduction owing to the lower commodity prices and expected price support for the stock clearance of non-rated fans by big brands, thus resulting in aggressive de-stocking by trade channel.
- Political and economic unrest in some critical markets led to a slowdown in International business.
- Restructuring of distribution for fans business in select states required a one-time correction resulting in one-time revenue loss due to this transition in distribution.
- **Exceptional one–time revenue loss due to the above factors adversely impacted overall growth by 11% for Q2 and 10% for H1**
- Ecommerce sales gained traction with pre-festival sales through the Big Day sales. With a renewed thrust, growth was 112.6% .
- Coolers grew by 25% , albeit on a low base.
- Water heater grew by 14% over H1, but due to early placement in June, Q2 remained depressed.
- Lighting sales continued robust growth of 11.4%
- Also, in Lighting, the benefit of commodity cost reduction got neutralized due to currency depreciation. But we were able to retain the margins
- Launch of wires received a good response from trade.
- Working Capital has been reduced by Rs. 81 cr. YoY from 45 days LY to 39 days in CY
- Low channel inventory with strong festival sentiments and seasonal tailwinds added with normalization of our Fans direct distribution give indications of an optimistic second half of the financial year.

Q2FY23 Result Snapshot Contd..

Margins : EBITDA had momentarily shrunk in H1, but lined up for a leap in H2

₹ in crore





- Gross Margins dropped by 2.2% of Revenue as against last year as a result of high-cost inventory and lower price realization due to competitive pricing
- EBITDA dropped to 2.3% of revenue for the quarter as against a very high base of 10.4% LY mainly due to:
  - Investment in advertising and brand building
  - High cost of consultancy to support ambitious initiatives towards "Go-to-market", "Cost Optimisation" and "E-commerce".

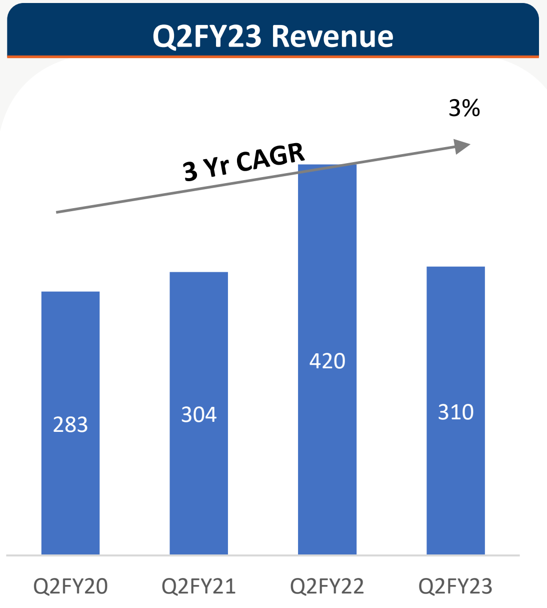
- **After adjusting the additional investments, the normalised EBITDA would have been around 6% which is a tad higher than pre-covid levels.**
- Employee benefit expenses reduced for the quarter 11.8% YoY because of significant reduction in wages for lower manpower deployment owing to reduced production YoY along with past vacancies not filled during the quarter.

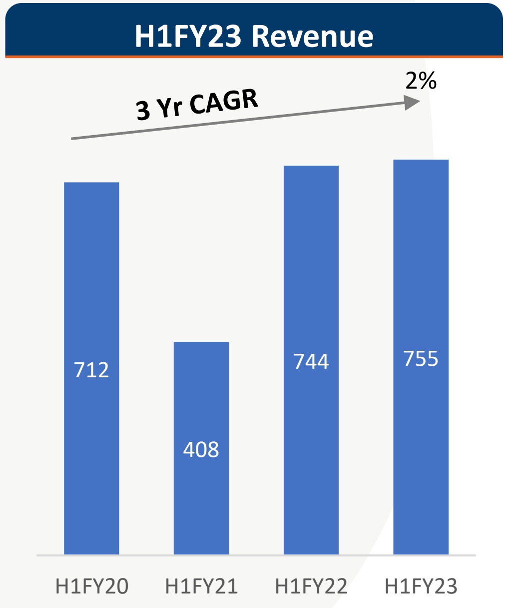
- Project Spark "Sanchay", has already identified opportunities for annualized cost reduction of Rs. 68 cr. of cost reduction ideas, in the first half.

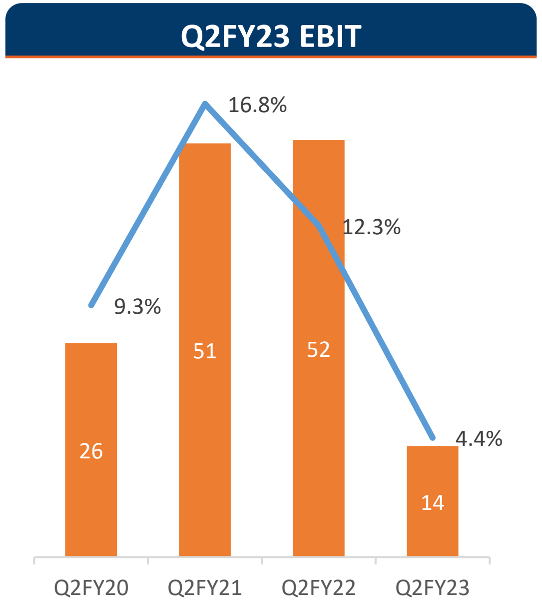
Q2 FY23 – ECD Segment Performance

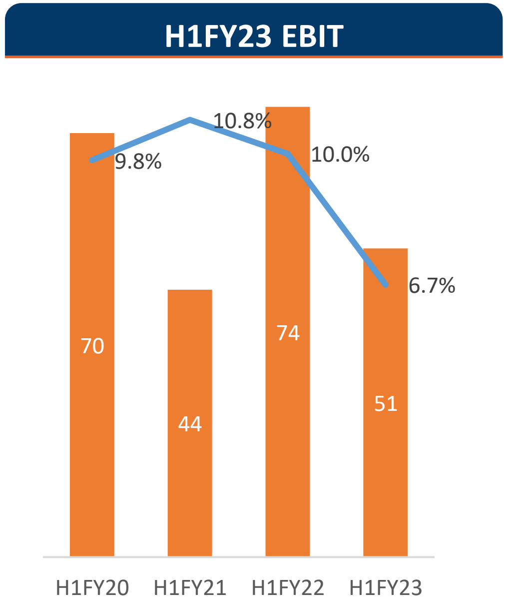
ECD : Trade Channel de-stocking and one-time set up of direct distribution affected primary sales

₹ in crore







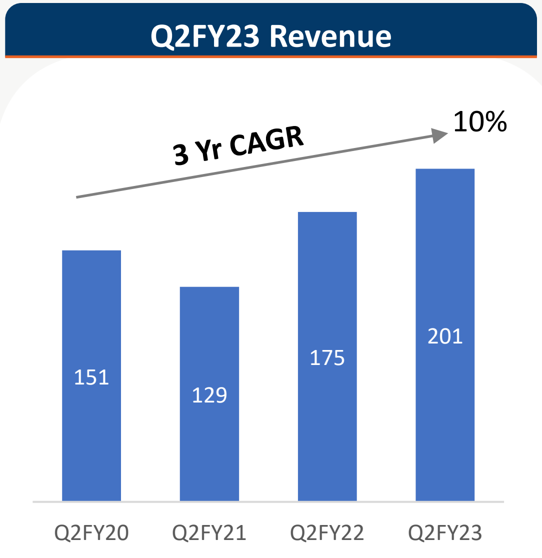


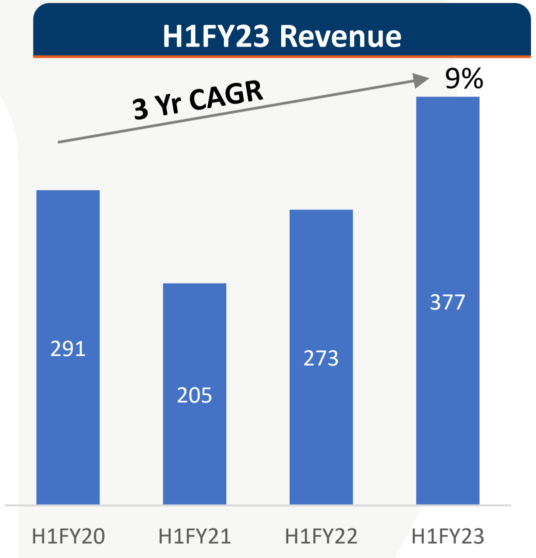
- The Segment de-grew by 26% during Q2'FY23 and had a 2% growth YoY for H1'FY23. The negative impact was primarily from Fans. Exceptional one-time factors that accounted for this decline YoY were
  - One-time set-up of the direct distribution in 4 states comprising UP, Karnataka, AP & Telangana that accounted for 13% decline in the Fans segment. The phase 1 states of Bihar & Orissa have already stabilized recording over 50% growth YoY in Q2 with a steep rise in market share.
  - Temporary impact of geopolitical disturbance in some key overseas markets that accounted for 8% of the decline in the Fans segment.
  - While UP and Karnataka will fall back on growth track by Q3'FY23, thereafter during Q4'FY23, AP & Telangana also will accelerate growth.
  - Additionally, there is the impact of destocking due to BEE transition in fans
- **Consequently, after adjusting for exceptional loss in fans, ECD would decline by approx. (-10%)**
- Selling high-cost inventory with accelerated schemes and unabsorbed manufacturing costs for lower volumes, the gross margin of Fans dropped by ~6%. With higher production ahead of season and cost reduction initiatives, we have drawn up plans to regain gross margins by Q4'FY23.
- For appliances, a steep push for channel filling in Q1 of water heaters, followed by weak consumer demand in Q2, liquidity challenges, and stock corrections by Trade, resulted in degrowth for the quarter – mainly from GT.

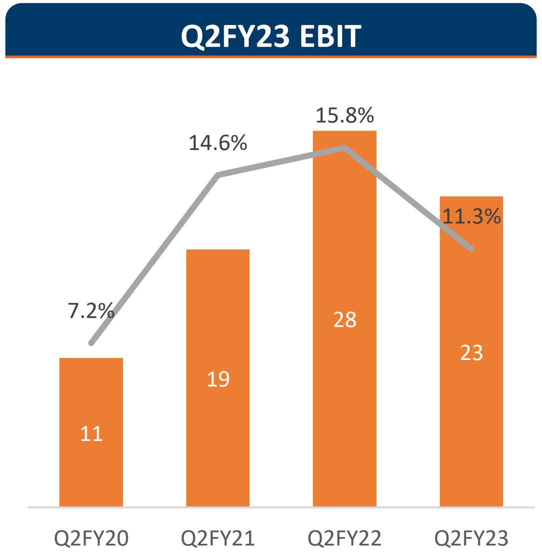
Q2 FY23 – L & S Segment Performance

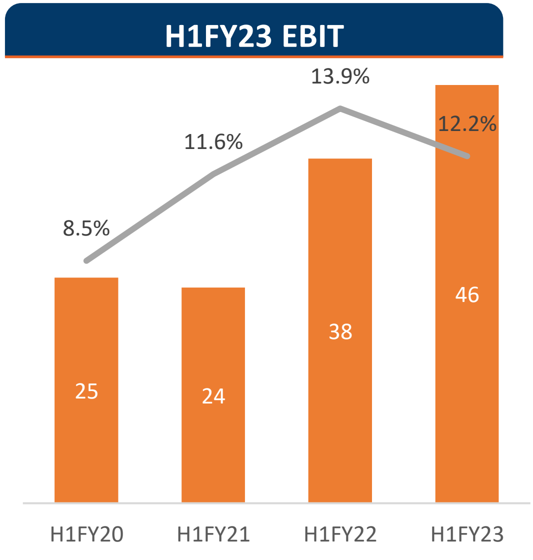
Lighting & Switchgear : Segment continued to perform consistently with double digit growth

₹ in crore









- The segment continues to post double-digit growth with a 15% growth in Q2FY23 and 38% in H1
- We continue to expand in B2B segment recording a ~40% growth in Q2
- Within the consumer business, luminaires grew by 17% vs LY

- Overall, we retained the margins and continued on the growth path, further gaining market shares
- The segment continues to improve margins posting a 3 Yr CAGR of 28% in Q2 EBIT and 23% in H1 EBIT
- During the quarter we introduced House Wires to our portfolio.

- OEL is fast emerging as a significant player in fast-growing façade lighting space. Some key projects completed and underway this quarter are:
  - Varanasi Cantt. Railway Station
  - Kanpur Ganga Barrage Project
  - Srinagar smart city project
- OEL invested aggressively in brand building with the launch of expanded range of festival lighting – 'Joylight'

Q2 FY23 – Channel Expansion

As a focused initiative of Go-to-Market strategy, the company is relentlessly working on Channel expansion :

1. Go-to-Market :

   1. **Fans** – OEL has touched approximately 9000 retailers in 6 direct-to-market states and by year-end we are focused to expand our distribution reach and visibility by approximately 85% of the market potential. Distribution network of 250 MMD and Direct Dealers have already been placed in the Direct Distribution model for these states so far. While Bihar, Orissa, and UP are already delivering significant growth YoY, AP, Telangana, and Karnataka are envisaged to deliver results starting Q3'FY23. DMS is targeted 100% in all states; SFA has now successfully stabilized across all geographies.

   2. **Lighting** – In lighting aggressive efforts are being made to capture the market share, currently OEL has reached approximately 28000 retail points including addition of 5200 touchpoints in Q2.
   In H1, 100 new distributors were appointed contributing to 11.6 Cr of sales. DMS and SFA are being implemented at full swing in the division, SFA is fully operational. Retail points :

2. E-Commerce – Setting up a strong frontend team supported by well-established backend capabilities led to more than 2.5X growth in Q2

3. B2B channels – Higher traction in B2B channels resulting in ~30% YoY growth overall for the quarter.

Key product launches

Fans


I-Tome Plus with Remote


Ecotech Supreme


Pacific Air


Hector Deco


Ujala Pro


Adena Prime


Ujala Prime

Appliances

Water Heaters


Fontus Quadc


Maverick


Enamour Prime

Bahubali

Rapidus

Kitchen Appliances


Super Power Black 4 jars


Super Power white


Super Blend 500 W

Lighting & Switchgear


Deco Wall Lights


Backlit Trim


COB Downlighter


Emergency LED Lamp 15W


Joylight Series

Orient Wires


Salus Glass range

Q2 FY23 Results Profit & Loss Statement

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Particular (₹ in Crore)	Q2 FY23	Q2 FY22	YoY %	Q1 FY23	QoQ%
Revenue from Operations	510.6	594.4	-14.1%	621.6	-17.9%
COGS	376.4	424.9	-11.4%	448.8	-16.1%
Gross Profit	**134.2**	**169.4**	**-20.8%**	**172.8**	**-22.3%**
Gross Margin %	**26.3%**	**28.5%**	**-222bps**	**27.8%**	**-152bps**
Employee Expenses	43.4	49.2	-11.8%	46.8	-7.3%
Other Expenses	79.2	58.4	35.7%	87.9	-9.9%
EBITDA	**11.6**	**61.9**	**-81.2%**	**38.1**	**-69.6%**
EBITDA Margin %	**2.3%**	**10.4%**	**-814bps**	**6.1%**	**-386bps**
Depreciation	13.1	11.7	11.9%	12.8	2.5%
Financial Cost	4.8	5.0	-2.2%	5.2	-6.2%
Other Income	6.5	1.3	382.8%	5.2	24.7%
Profit Before Tax (PBT)	**0.1**	**46.6**	**-99.7%**	**25.4**	**-99.5%**
Other comprehensive income	-0.1	-0.1	NA	-0.1	NA
Tax	0.4	11.7	-96.8%	6.4	-94.2%
Profit After Tax (PAT)	**-0.4**	**34.7**	**NA**	**18.8**	**NA**
PAT Margin %	**-0.1%**	**5.8%**		**3.0%**	
Earning Per Share in Rs.	**-0.01**	**1.64**	**NA**	**0.89**	**NA**

Thank You!

investor@orientelectric.com

www.orientelectric.com

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