August 01, 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.: Transcript of Earnings Call for the quarter ended June 30, 2022.

Dear Sir / Madam,

In continuation to our earlier letter dated July 26, 2022, filed in terms of the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding participation of the management of the Company in an Earnings Call, to discuss the Un-Audited financial results of the Company for the quarter ended June 30, 2022, scheduled for Tuesday, July 26, 2022 at 10:00 AM (IST).

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

You are requested to take the same on record.

Thanking you,

Yours Sincerely,

For **Orient Electric Limited**

HITESH KUMAR JAIN
Digitally signed by HITESH KUMAR JAIN
Date: 2022.08.01 12:30:34 +05'30'

Hitesh Kumar Jain
Company Secretary
Enc: a/a

“Orient Electric Limited 1QFY23 Earnings Conference Call”

July 26, 2022

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

MODERATORS: **MR. DHRUV JAIN – AMBIT CAPITAL**

Moderator: Ladies and gentlemen good morning and welcome to Orient Electric Limited 1QFY23 Earnings Conference Call hosted by Ambit Capital. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, 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. Dhruv Jain from Ambit Capital. Thank you and over to you sir.

Dhruv Jain: Thank you. Hello everyone. Welcome to Orient Electric 1QFY23 earnings call. From the management side today, we have with us Mr. Rakesh Khanna – Managing Director and CEO and Mr. Saibal Sengupta – Chief Financial Officer. Thank you and over to you sir for your opening remarks.

Rakesh Khanna: Thank you, Dhruv. Good morning, everyone. Thank you all for joining us for our first quarter results discussion for the financial year 2023. I hope all of you and your families are staying safe and healthy. At Orient Electric (OEL) we continue to follow all COVID-related protocols while maintaining physical presence for all business activities.

Coming to our overall performance, 1QFY23 saw an overall positive performance in the face of multiple challenges faced by the industry. For 1QFY23, OEL continued strong revenue momentum, growing by 47% year-on-year. The year started with early summer with record heat waves across the country, resulting in healthy demand for cooling products. But by the middle of May early days in several parts of the country, steep inflation dampened the consumer demand. At the same time correction in commodity costs indicated a likely price correction thereby leading to inventory correction by the trade which made to lower primary sales. Despite these lags, OEL was able to post revenue of Rs. 622 crores for 1QFY23, growth of 47% over last year and CAGR of 14% over last 5 years in Quarter 1.

Following on from financial year 2022, our concern for protecting our gross margin continues unabated. We have been able to contain commodity price pressure on our margins through strategic price corrections and efficient cost-control measures. Our gross margin witnessing severe pressure of more than 270 bps over the last few years due to severe commodity inflation. We arrested a potentially much sharper fall in EBITDA margins limiting it to 170 bps in Quarter 1 since pre-COVID levels.

The company has been evenly focused on qualitative growth along with gain, profitability, and market share. With higher material costs, inventory management remains one of the crucial elements in balancing growth. Our working capital days have been consistently coming down over time despite multiple challenges over the past few years. In 1QFY23, our working capital stands at 33 days at par with pre-COVID levels and our cash flows from operations remain healthy at 45 crores for the same period.

In terms of liquidity, our net cash position improved during the quarter due the improved collections and better working capital management. Looking ahead at 2QFY23, we hope to improve our net cash positions further. Despite experiencing huge trends during 1QFY23, the ECD segment grew by 37% year-on-year in revenue. The reported heat wave in the first half of the quarter helped liquidate channel inventories of coolers. Due to early rains in some parts of the country, we noticed early channel stocking for water heaters towards the close of the quarter. Despite the headwinds, OEL was able to marginally grow ECD revenue by 4% compared to pre-pandemic levels. Thanks to smart marketing, distribution strategies and price management through cost controls.

Our lighting and switchgear segments witnessed a much promising and optimistic scenario de-risking the seasonality factors that have typically impacted OEL. This segment reported revenue growth of 80% for 1QFY23 year-on-year displaying great buoyancy and resilience against the macro headwinds I referred to earlier. After some slowdown in B2B business in FY2022, 1QFY23 has been witnessing an uptick on the back of higher reach and portfolio expansion including some prestigious orders in façade lighting. The lighting business continues to deliver strong growth at 79% year-on-year in 1QFY23 led by consumer lamps and luminaires which are enjoying strong demand from the homes, small offices, and insurance showrooms segment.

We have noticed that government spending has started picking up which should keep the order book for lighting segment on a strong momentum. Lighting orders for our façade lines have also seen good traction with the healthy enquiry pipeline. The Company remains optimistic about its prospects going ahead.

OEL switchgear business continues to grow well. Thanks to Company's new range of switches catering to mass premium segment. This line is being very well received by channels and consumers alike and the pick in volume continues to fuel the pace of growth. Being able to add new products and swiftly change our portfolio mix makes OEL competitively agile in this segment.

All the more, the continued efforts in expanding our distribution network through digital means have helped in increasing the share of the segment in other overall revenue part. OEL has been making good progress in building a base for its lighting and switchgear segment which should start reaping material benefits in the medium term. During 4QFY22, we transitioned our distribution network of our fans segment in underpenetrated markets of Orissa and Bihar with direct to dealer approach and away from our traditional approach of selling via master distributors. With much success in this approach becoming evident, in 1QFY23, we decided to further expand this distribution model to other states UP, Karnataka, AP, and Telangana where master distributor itself has been weak. Although due to this transition, there has been some weakness in sale in these markets. We hope that in the coming period, this action will allow us to improve our market shares further in under-penetrated markets. The Company sees this as a positive step as it will help us to further expand in these under-penetrated markets in a more controlled way. While India's path to double-digit growth has become more challenging due to general inflationary pressures. The country's underlying economic fundamentals along with government's goal for self-sufficiency are likely to protect the country's long-term positive outlook from the present short-term headwinds. Our fundamentals remain robust and future ready to handle the current scenario and capitalize on new possibilities.

We believe, at our new Hyderabad plant which has already broken ground will enable us to sustain our capacity to deliver quality growth. In the meantime, our unrelenting focus on consumer centricity has helped redefine processes across all functions for developing and delivering innovative products to enhance consumer delight. Our NPI score continues to be about 25%. We have also made a clear roadmap along with external consulting partners to speed up our progress in the fields of e-commerce, cost reduction and go-to-market. This stance we believe is giving us fresh energy for growth.

Thank you all for joining with us and thank you Ambit team.

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 InCred Capital.

Rahul Agarwal: Hi Good morning Rakesh Ji and Saibal ji. Two questions, firstly in your own assessment, was first squatter in line or below your internal expectations? If you could help us understand some kind of outlook for fiscal '23 because the way we understand base is higher for last year going into the next nine months, whatever you can talk about for ECD and lighting and switches, do we really grow in double digits this year? Could you please help us understand this over the next nine months what should we expect?

Rakesh Khanna: First of all, I must tell you I'm not a future teller. Yes, the Quarter 1 performance has been below our expectations especially in the fans portion. Everything else did pick well but the sudden slowdown in the month of May and June for fans especially has been below the expectation and below our plan. It is difficult to say how it will pan on in future but we do see that there is going to be a double whammy. There are inventories at high cost and if the trade will start making correction in the inventory the Quarter 2 may see a certain level of inventory correction. But the fact that commodity costs are easing out, we expect that it will help with demand to again kick back and help the industry to cover up the lost sale. Overall, it's a positive judgment but once again I would clarify I do not tell future.

Rahul Agarwal: Secondly on the margins, the second quarter is generally weaker than first quarter seasonally for Orient historically. How should we think about in our minds over the next 2 to 3 years? I know as you said you don't talk about short term trends but any long-term outlook on margin if that's possible?

Rakesh Khanna: We definitely have our eyes on margins. We believe that industry has been always supportive of carrying the margins home. We continue to have our faith and we believe as the commodity will start getting corrected, a substantial part should get back into the margins. So, we do hope margins to come back. However, it all depends on what is the competitive landscape during that period.

Rahul Agarwal: Thank you so much for answering, all the best.

Rakesh Khanna: I will also add one more thing is the kind of efforts that we are putting in our cost reduction will hopefully help us to garner higher strength to defend our market shares and protect our margins.

Moderator: The next question is from the line of Nitin Arora from Axis Mutual Fund.

Nitin Arora: If I look at the last six quarters, your gross margins are in the range of 27% to 28%. If I look at the competition assuming that headwinds and the tailwinds of the industry in the last six quarters would be same for all of you, the other electrical companies almost achieved their pre-COVID levels in four quarters out of six and you are still about 27% to 28%. Just need your comment on it, how one should look at this kind of a performance and whether we should be going back to our own original pre-COVID gross margin where we were at (+32%)? That's my first question, need a comment on that. Second on the consumer demand, inventory correction of the industry, the price correction its must be for the competition as well. But generally, on the consumer sentiment, on the consumer demand how you're looking things at the ground level given the high inflation across the product categories, in electrical, even other product categories as well? So, just these two questions.

Rakesh Khanna: Nitin regarding the consumer demand, as you said we've seen the demand in lighting to be continuing well in the consumer side, in the government side, it has been little low but we are hopeful that as for government's continues promise about investing in infrastructure that demand should also quickly coming in place. Façade is growing and growing at a very good pace and we are getting very well placed there. In terms of switches and switchgears, for us because we are very small, I don't know to what extent market growth will make a difference. But I understand that housing has shown some good uptick and the housing related products are moving on. This segment is also seeing an uptick. When it comes to water heaters, I think it's doing well. Q1, we have seen good growth. We do hope it will continue. Coolers, this time the trade inventory have got fared. We do hope that will also take on well. Consumer demand is going very well there. So, in all products it's going well. It is just that in fans for some time we have seen a little dampening of demand but I'm very hopeful that will also come back in place. So, overall demand should be good. Should we look at the pre-COVID gross margins, our efforts will be there and as I said we are hopeful that industry will provide the space for the gross margins to go to pre-COVID levels. In terms of relative performance on gross margins, I would like to understand from where you come because my understanding is that we have been able to keep our gross margins in terms of position at the similar level. Although our gross margins have been lower than some of our peer group companies and we're trying to build them up. Scale also plays a role there. So, as we build up scale, we should be able to start bridging the gaps.

Saibal Sengupta: Just do add on that since you mentioned about the sequential and pre-COVID, just be mindful of the fact that pre-COVID in '19, we had seen done the lowest levels of, not lowest but relatively much-much lower levels of commodity prices that were trending. The quarterly, we have to be a little bit mindful of what the quarterly mix that happens as far as our Company is concerned because of the product mix changes from quarter-on-quarter. But having said that we have been considerably doing well in terms of consistently holding the gross margins for the last couple of quarters despite the commodity inflation that has happened. With the commodity prices slightly going benign at this point of time we have to see how it stabilizes in the coming quarters but given the fact that we are holding high costs inventories from the previous quarter, it'll take little bit of time maybe to stabilize to those levels. But as and when we pick up and we go and change the product mix over a period of time yes, it should start coming back. But that will take a little bit of time. It will not be appropriate to expect it immediately in the given context and situation. I hope that clarifies.

Moderator: The next question is from the line of Rahul Gajare from Haitong Securities.

Rahul Gajare: I've got a couple of questions. First on your distribution, the distribution revamp that you've started with fans business in Orissa, Bihar, now done that in Karnataka, UP. Could you give us a sense on your overall distribution revamp plan? Do you intend to go pan India and if yes is it going to be restricted to a particular product or across the product and what's the kind of timeline that you have internally for this entire transition of your distribution network? That's the first question.

Rakesh Khanna: We have taken up these states, the first two states Orissa and Bihar are already stable and they're doing very well. The next states are in the state of transition. As you said it has put a pressure on our total numbers during Quarter 1 but we are very hopeful and looking at the results from the first two states that we will be able to make up good market share in these states also. This step is being taken because some markets remained under-penetrated under our master distribution model for a long time and we have taken this action only in the markets which were under penetrated. Wherever we have a strength of a very good master distributor we want to maintain that strength because that's an amazing strength that we have. We really value that strength. We will continue with that wherever our strength is strong. We will pick up whatever is good for the market. In terms of which all categories, yes, this particular master distributor system has been only for fans and for the rest we anyway were going directly to the market. However, to top it on as I said that we have partnered with external partners and developed a very strong roadmap for go-to-market with a very strong digitization. So, that will expand to all categories in due course of time. As of now we have restarted in all directions but our main focus is on these states to put a right working model which will become a model to be replicated in the rest of the states and rest of the businesses.

Rahul Gajare: But a timeline when do you intend to finish this entire revamp in fans?

Rakesh Khanna: Normally a full set-up of GTM takes 1 to 2 years but since we have a great partner, we have a very clear roadmap, our **e-Wings** digital program has already taken off and well-established, we do hope that we should be able to complete it much earlier.

Rahul Gajare: My second question is on the lighting and switchgear business; we've done well in this particular quarter. Can you split lighting and switchgear revenue and growth in each vertical and also if you can comment on profitability of each vertical? This will essentially help us compare the performance with peers, so that's the reason to ask this question.

Rakesh Khanna: You can take most of the performance as lighting-driven performance. The numbers of switchgear still continue to be small, within the lighting switchgear, it is less than 10%. However, both the businesses are profitable today standalone, most of the profits being driven by the lighting business.

Rahul Gajare: My last question is on the fans. In the fans business which star rating be effective from January '23, what do you think is price hike which is expected because of this transition s and your thoughts on inventory how that typically will move because of this? I am doubtful if there it would be prebuying in this transition but just would like to hear your thoughts and also if you can finally comment on you market share in fans right now. That's all from my side.

Rakesh Khanna: In terms of fans market share, there has not been much movement, we've been tracking it. It remains anywhere between 18% to 20%, difficult to have any kind of a syndicated data to say but that's our estimate. Now in terms of the transition to the star rating, there are different views how it will transition, some believe that there will be a lot of pre-buying by the channel of the non-star rating at a lower price. Some believe that people will actually not take that risk and start buying the star rated. We are trying to assess the mind of the market. It will all depend on how much is the cost difference finally between the star rated fan and the non-star rated fan. There are enough efforts going on how the cost difference between the star rated and non-star rated can be minimized and everybody in the industry I'm aware is working in that direction. If the cost difference can be minimized, it will possibly go in favor of the star rated fans. So, we are keeping an eye on the ball. We're constantly working hard towards minimizing that cost difference. We will know it another 2-3 months how the swing will happen.

Moderator: The next question is from the line of Aakash Javeri from Perpetual Investment Advisors.

Aakash Javeri: Just extending the previous participant's question, that out of the entire fan market how do you see this evolving in terms of the BLDC penetration over the next 3 to 5 years and would this technology be easily accessible to unorganized players or would organize players gain more market share over time?

Rakesh Khanna: Aakash, first of all, BLDC is a very simple technology. There is no great thing about it. It's a fairly simple technology. The transition is dependent on the cost difference between the normal induction fan and the BLDC fan. In any electronic product the cost continues to come down as the scale increases. We believe even in BLDC the cost will continue to come down with the increase in scale because a significant part of the cost lies in the PCB. My own estimate is that it will not be an immediate swing. There are pros and cons between both of them. The BLDC fan has all the advantages, there is no sound, it is power efficient. All those advantages are there but the technology is not fully stabilized as of now. The failure rate between induction and the BLDC fan, the failure rate differences were today mainly because of the power quality. But if the prices keep falling down it will move anywhere from 30% will be BLDC to 50% or may move to 70% depending on over a period of time. But it will definitely move in favor of BLDC because the technology will stabilize, the PCB quality will stabilize. So, it will move in that direction.

Moderator: The next question is from the line of Praveen Sahay from Edelweiss Financial.

Praveen Sahay: Related to the fan, as you had mentioned second half there is a slowdown in the demand. Can you give a color on the premium versus the economic, how is that?

Rakesh Khanna: Praveen no difference. It continued the same way; the mix is similar. There is no special shift that you're seeing. There is a consistent movement towards more of decorative and premium but at the same time as more and more is moving from unorganized to organized, all that movement is coming from the economy side. So, the economy is growing because there is a movement from unorganized sector and the premium and decorative is moving because customers are steadily moving towards premium and decorative. So, both of them are expanding.

Praveen Sahay: Second on the ECD price hike, so have you taken the entire whatever inflation in the raw material you had taken the price hike increase that is absorbed in data

Rakesh Khanna: Praveen whatever could be take has been taken but going forward as the material prices have started easing out, the need for price increase is not there. In fact, what we need to work now on is how quickly the old high-cost inventory can we clear and we take advantage of the cost reduction and that's how the margins will get on to improve it.

Moderator: The next question is from the line of Parth Gala from JM Financial.

Parth Gala: Two questions from my side; one is in the opening remarks you spoke about working with a consultant on your e-com initiative, cost reduction and distribution. So, you have touched upon a little on the distribution side but it would be great if you can talk a bit more on the initiatives in each of these identified areas? That is number one. Second is more of a bookkeeping question in terms of what was the revenue split for FY22 of each of the key categories of watercoolers, air coolers etc.?

Rakesh Khanna: So, what we're doing in each one of them, I have not fully understood your question but let me try and answer as much as I've understood. In e-commerce we have a very clear view that e-commerce is going to be very important going forward for us and it's critical that we establish ourselves quickly in e-commerce. Therefore, there is a roadmap drawn for all our products, how we are going to increase our presence in all the platforms, be it our own Brand.com or be it all the marketplaces and the new coming platform, how do we improve the back-end system etc. and how do we improve digital presence in terms of our marketing on digital, the share of spends on digital, share of visibility on digital. So, there is a whole game plan around it. Goes along with the talent onboarding and making a very strong team around that. When it comes to cost reduction, you are aware that we already have a very strong program called Sanchay which is highly institutionalized and digitized with a very high visibility of every single cost reduction initiative we are taking, with a clear measurement which goes to finance team and we are now giving it a further thrust or putting big speed to this and we are very hopeful that we will be able to drive the cost down much faster than ever before. The third, go-to market, we have taken these new states and we are building up a model go-to-market system which will be highly digitized and we do target high market shares and this particular model will then be replicated across the country. I will leave the second question to Saibal to answer.

Saibal Sengupta: Second, can you just repeat the question part once again, the second part of it?

Parth Gala: Just a broad break up in terms of the key categories we have in terms of their contribution to revenue for FY22?

Saibal Sengupta: Can you be specific which categories you are talking about?

Parth Gala: Fans, air coolers, water heaters, kitchen appliances and lighting & switch gears?

Saibal Sengupta: Parth, we do not give so much of detail. Maybe I can discuss separately but let me give you an idea. Normally fans will be roughly around 60% of the total business and with slight depression right now a couple of percentage points would swing. Lighting & switchgear as you have seen it already covers a good 26%-27% of the total revenue out of which switch gear is just about 2% of the total share of business and lightning is about 25%-26%. That's how it works. That is a trend that remains with little bit of quarterly skews which happens on quarter-to-quarter basis.

Moderator: The next question is from the line of from Bhargav Buddhadev from Kotak Mutual Fund.

Bhargav Buddhadev: If we look at the annual report and the Sanchay program, it says that we've saved about Rs. 45 crores in FY22. Now this is a big number. So, just wanted to know how sustainable is this saving and if you can elaborate on couple of areas where we have extracted such a huge saving?

Rakesh Khanna: So, few things. First of all, Rs. 45 crores, is not a very big figure that we consider that most of the good companies they aim to take off 2% to 3% every year from the cost. So, it's not a big-big figure and so we have to also work in the same direction. As I mentioned a little while back Bhargav, Sanchay is a completely end-to-end digitized platform. It's called an idea bridge where every single cost reduction idea is put in place, there is a proper team which works on it, follows it through, the cost reductions are measured, finance approves and recognizes these ideas. It's a culture that we have built in the organization where everybody is constantly working towards how do we optimize the design by using the latest in the technology and by working the most optimum design, negotiations etc. so it's fully sustainable. As I said Bhargav, going forward we would want to increase this further, our capability in this direction and we believe that this is something that will help us to maintain our prices and guard our market shares in increasing competition.

Bhargav Buddhadev: The second question is on the B2B lighting side of the business. Is it possible to broadly elaborate how big this business would be within the lighting business? And what we understand is that the pipeline is now getting built up again especially on the street and the façade lighting and a lot of innovations are also being made here in which are more tech savvy. If you can throw some light on this side of the business and this would be my last question.

Rakesh Khanna: Bhargav, to say at an industry level B2B would be close to 50% I'm saying the range but whereas our own business in the range of 15% to 20%. We have a long journey to go in B2B business and we see it as a great opportunity because the success we have made in B2C business gives us confidence that we are capable of delivering the similar success in B2B business also. The recent success in the B2B business specially when we look at facade and the kind of orders we have been execute and built the confidence of our customers, we believe that we should be able to constantly increase our share of B2B businesses in the total business.

Moderator: The next question is from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: What is the strategy to expand distribution over next 2 years? I guess during COVID expansion of distribution was relatively tougher but now what is the strategy FY23 and '24 and lastly, we have seen some of the durable companies are doing special efforts to penetrate more in rural markets. So, what is our strategy on that also?

Rakesh Khanna: Aniruddha, the distribution expansion is in two parts as I always say one is the reach and one is the reach which we can influence. Today our reach is fairly high. We are available in more than a 1,00,000 outlets that we have the reports which are even 4 years back we were available at 1,25,000 outlets so reach is good. What is important is the quality of the reach and our ability to influence that reach. The programs that we have taken up with the implementation of DMS and SAP across the objective is to start gaining visibility and influence on our reach so that we can start extracting higher counter share from all the important counters. We have started this exercise sometime back, we have gained quite a few, quite some strength in this. Now what we are doing in the go-to-market states, we are building a very clear zero-based structure which we believe will be a role model for all other states and all other businesses. Having said that our Connect program with the retailer continues to gain traction. Today we have more than 50,000 retailers on Orient Connect already connected, with the completely geo tag. On the other side in Salesforce automation also we have another more than 50,000 retailers who are clearly geo tagged today with full visibility so we are progressing on that. Our target is to reach out to a visibility level of more than 80% in the market so that we are able to clearly influence the retailers where we are there. This will include rural penetration because our new distribution is going district-wise micro-markets mapping and therefore we will be covering all the rural penetration also.

Moderator: The next question is from the line of Aditya Bhartiya from Investec.

Aditya Bhartiya: You have started engaging with dealers in the last couple of quarters directly while we understand the long-term rationale of the move. Is it something that is creating some near-term disruption in the business as well?

Rakesh Khanna: Yes, it is in those markets as I said these are transition markets. If you're referring to the same markets, UP-Telangana-Karnataka. Of course, during the change over time for 2 to 3 months there is a disruption because the previous distributor is on his way out. The stocks have, to be adjusted, the accounts in the markets have to be reconciled. I am very happy that in the two markets where we completed the transition, there have been no bad debts, no loss of money, no loss of sale and we have very beautifully transitioned to the next model and we will aim to do the same thing of very smoothly transitioning from one particular distributor to a set of the next distributors so that the health of the market relations is in good condition. But yes, in the process there is the delay because there is a blackout period then we will not sell and we will only do the account reconciliations and collection and stock adjustments but they picks up at a very good pace.

Aditya Bhartiya: This disruption is mainly on the primary sale side, there is inventory correction that takes place in the system or even on the secondary side we end up losing market share on a transient basis?

Rakesh Khanna: The attempt is only to limit it to the primary and to a large extent yes, we are sure that we have been able to limit it to primary but a few slips here and there during the transition period cannot be avoided but after the transition, the gains are so healthy that they'll make up for any such kind of a small abrasions here or there.

Aditya Bhartiya: My second question is on the performance when we compare it with some of the other electrical companies on a 3-year basis. For the ECD segment we are having roughly flattish revenues on a 3-year basis and that follows and already kind of a weak fourth quarter when inventory in the system for Orient was on the lower side. Conversely some of the other electrical companies have delivered somewhat better numbers on a 3-year comparison basis. Where do you think what really has impacted the performance of Orient and how would you see that to be improving over the next few quarters?

Rakesh Khanna: Instead of 3 years go to 4 years then you will see the difference. What happens is there are movements quarter-on-quarter and if you're taking a cutoff point, normally I would do it at different levels to see the difference. Because in that year of '19-20 we had grown by more than 30% where the peer group had grown by a very small number. As I said sometime back that if you see the CAGR growth of last 5 years Orient Electric, you would find is one of the highest CAGR in the last 5 years. So, just have a look at cutting the number of years at different levels. Look at that 4 years and you will find a different story.

Aditya Bhartiya: Absolutely, I completely agree. We had a very strong growth in one of the years and since then it has tapered off. Just want to understand whether that growth that we had, taken into account the growth that could have followed in the next few years as well and it's a normal kind of correction that has taken place? Or do you think something has gone wrong specially during the COVID period maybe some of the larger companies doing something differently. Just want your perspective on that. On a 4-year-5-year basis, I completely agree.

Rakesh Khanna: Two ways to look at it. One is the 5-year and second is the full 5 years. If you see both ways you will find that Orient Electric is doing fairly well with respect to the peer companies. So, the quarter-on-quarter variations are a little I don't spend too much time on them but when you see overall year-on-year you will find that there's a steady performance. It happens that sometimes a particular brand takes a price correction at one time, the second brand takes a little later. It all evens out a quarter here or there it all evens out. But you have to see that they take 5 years and take 4 years, full years and check it out you would find that the performance is absolutely in line or better than the peers.

Moderator: The next question is from the line of Ashish from Infinity Alternatives.

Ashish: I just wanted to kind of take a slightly longer-term view or a medium-term view. We've seen a 5-year growth rate of mid-teens; there have been bad years and good years as you very rightly said but let's say going forward in the next 3 years, if I were to look at forward what is the aspiration level from our Company perspective in terms of growth rate and in terms of the operating margins? Where do you think can we kind of hit the mid-teens kind of margins or do you think we'll continue to be at the low teens?

Rakesh Khanna: Ashish once again, if I could have seen tomorrow, I would be doing many better things in life than my job here. I cannot see tomorrow.

Ashish: No, I agree with you sir absolutely true for all of us. I'm just saying from an ambition perspective?

Rakesh Khanna: Our aspirations are definitely much higher; we want to do a lot more but at the same time we will always be prepared for how the market moves and therefore are we prepared for the downside and upside both. We stay grounded at all times. We will take decisions based on the best possible estimates while we keep our aspirations very high. All the actions that we're taking, for example the kind of initiatives which I spoke to you while a little way back are all to actually support the great aspirations that we have built up for ourselves and the organization and we think there are great opportunities in front of us and if we work hard there's a lot of success for all of us there. We will be working in that direction but I refrain to say any numbers there.

Ashish: Then maybe I'll just maybe focus. In terms of short term, do you see any challenges because commodity prices seem to be easing off, COVID seems too behind us. Do you see any challenges over the next short term as you stand today or do you think it's time to be aggressive in the marketplace?

Rakesh Khanna: There are definitely challenges. For example, the entire industry today and I will talk about the industry not for only us. Entire industry is sitting on a high-cost inventory and one of the reasons why the industry is sitting on a high-cost inventory is because there were early summers and the cost were constantly going up, people moved, people produced the material and then suddenly the commodity fell down and also the demand fell down and everybody has inventory at hand. On the other side as the commodity starts fading down, the trade will not pick up more quantity because the trade will anticipate price corrections and therefore trade will start cleaning up the inventory. Therefore, it will take time for the entire inventory of high cost right from the manufacturers and brands up to the trade for all to get cleaned up before we can start the benefit of lower commodity prices starts showing in the P&L. So, there is the challenge how do we navigate this particular kind, I do see that the pressure will last during this particular quarter for the industry but towards the end of the quarter we will possibly start seeing favorable traction and start taking the advantage of the commodity price directions. But future looks to be good with all the price corrections that are happening, fingers crossed.

Moderator: The next question is from the line of Achal Lohade from JM Financial.

Achal Lohade: You have mentioned 18% to 20% market share in fans. Is it of the total market, is it of the organized and would it be possible to give some more color in terms of the décor and premium, how much would be our market share in that segment?

Rakesh Khanna: Achal, this is of the organized market and we continue to remain a higher player in the premium and decorative. We have never been aggressive in the lower end although with the growth in the lower ends, we feel it is important that we cannot be ignoring that lower end also and we have made significant efforts in the last few quarters to start improving our presence in the lower end also. As a brand positioning, we always remain towards the higher end. Our positioning has been there, our strength has been there, our market shares have been there. In the top end quadrant, which we call constantly keeps on moving which we now call more than Rs. 4,500 fans, we would be at around +40% of market share in that quadrant. Decorative also remains to be high. We have the lowest market share in economy.

Achal Lohade: This 40% market share in the fan segment which is selling more than 4,500 per fan, right?

Rakesh Khanna: Yes.

Achal Lohade: How much of the total market is organized as per your estimate?

Rakesh Khanna: How much is total organized?

Achal Lohade: Of the total fans market, how much is organized? Is it 70-80-90-60?

Rakesh Khanna: Anybody's guess but we believe it is close to 70% to 75%.

Achal Lohade: Have you also seen given the way things are playing out, have you also seeing the unorganized or the smaller appliances players have come back in the market or they're still struggling with the supply chain and stuff like that?

Rakesh Khanna: We have not seen much coming back to the market. The struggles have been too many.

Achal Lohade: Second question was pertaining to the lighting business. You mentioned that for you the B2B is relatively small. Just wanted to understand in terms of the sales channels for this particular business, is it the same, do you require to establish a separate channel? You know what's the right to win here?

Rakesh Khanna: So, it's a completely different channel, it's a completely different team. The team's skill levels are completely different. The back end is completely different, selling B2C is a commodity selling, selling B2B is a solution selling, it's completely different. And the right to win is because we have very strong R&D team, our ability to give solutions is very good. We have a really strong design team and we have been able to put together a very strong sales team. We have started getting very good empanelment in many-many accounts. So, it's a whole journey. It's a completely different kind of a business and it's taken us time to build capability there but we are seeing very good traction now.

Achal Lohade: Would you be able to give some more color in terms of the total market size of lighting and how much is B2B in that?

Rakesh Khanna: B2B is generally 50% of the total market? That's how, it's sometimes 48%, sometimes 55% somewhere there.

Achal Lohade: Right but in terms of the total industry size because we tend to get very different numbers. So, would you be able to throw some more color in terms of what is the market size? Either for B2B or for the total we can derive the others?

Rakesh Khanna: With the total market size is considered to be anywhere between Rs. 12,000 to 13,000 crores of organized market, close to Rs. 20,000 crores including the unorganized market. Put together out of the Rs. 12,000 to 13,000 crores, 50% would be, close to that would be, the B2B. These are ballpark figures, there is no syndicated data around this but these are very ballpark figures.

Achal Lohade: This is very helpful. One more question I had with respect to the cost deflation like you rightly pointed out in terms of it will take some time to adjust to the new prices. What I wanted to check is if we were to look at the top three-four cost items within the bill of materials, they would I presume copper, aluminum, steel, plastic. Would that be 60%-70% of the BOM or could that be lower or could that be higher? Any color you can provide on the same?

Rakesh Khanna: Actually, this a very difficult question because you have to see some parts, they come in form of components but they are also steel, aluminum and copper. So, very difficult to put that. Finally, when you look at a particular thing what is there, any of the ECBs when you look at it, if you look at motor inside you would find its steel and copper. If you find the body, it is either steel, aluminum or plastic or ABS. By and large everything moves around that and rest is your cost of conversions or the cost of electronics.

Moderator: The next question is from the line of Amit Mahawar from Edelweiss.

Amit Mahawar: I just have two quick questions. First is Mr. Khanna, the share of fans with Rs. 2,000 and more range, what is the share that we have in our revenue and within that what is the Aero series contribution now vis-à-vis last year. The second question is on switch gears. How has our market share moved vis-à-vis last year in switch gears?

Rakesh Khanna: Amit both your questions are very tough. Maybe I will separately have to answer the questions you're asking specific numbers in (+2,000) and with asking share of Aero. I wouldn't have them immediately at hand, maybe you can call me later I will try and or may be Saibal can later give you some details on that. In switch gears our market share is very-very small. We are still scratching the surface so I don't think we are seeing it in form of market share as of now. We are only seeing it our internally how much are we growing? Because in such a small base we should be growing very-very fast, very high and that's the effort. I'm happy to say that we've been consistently now it has been in the profitable range and it's growing very well. The new range is getting accepted very well and we are getting more and more confident of now building up on this business. Given by the industry norms this is a highly profitable business and so we have a lot of expectations from this line of business in the coming time.

Saibal Sengupta: Amit, were you asking the share of business for the (+2,500) fans, if I heard you right? Or are you talking about the market share?

Moderator: He is no more in the queue now, he is gone.

Saibal Sengupta: No problem. I will talk to him later.

Moderator: Ladies and gentlemen due to time constraint that was the last question for today. I now hand the conference over to the management for closing comments.

Rakesh Khanna: Thank you. Thank you everyone for joining. It's great to see your support towards Orient Electric and the kind of involvement that you have in our business. Many of your questions are thought provoking and they help us to work further on some of the points that are raised by you and they all help us to improve more and become better. Once again thanks to Ambit team, Dhruv, and everybody in Ambit for hosting this session and making it so well. I do hope all of you are keeping safe and I wish all of you and your families all the safety and good health. Thank you all.

Moderator: Thank you. On behalf of Ambit Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.