

August 17, 2020

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.: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Impact of Covid-19 Pandemic

Dear Sir / Madam,

This is in continuation of our earlier letters dated March 23, 2020, March 31, 2020, May 14, 2020 and May 21, 2020 wherein the required disclosures sought for were already made. However, pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) read with SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020, we are further enclosing the disclosure on evaluation of the impact of Coronavirus (Covid-19) pandemic on the business operations of the Company.

You are requested take the above information and enclosed documents on your record.

Thanking you,
Yours Sincerely,
For **Orient Electric Limited**

Hitesh Kumar Jain
Company Secretary
Encl.: as above

Due to several restrictions imposed to prevent spread of COVID19, this document is signed digitally.

EVALUATION OF IMPACT OF COVID-19 PANDEMIC ON THE BUSINESS OPERATIONS
OF THE COMPANY

DISCLOSURE AS PER REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURES REQUIREMENTS) REGULATIONS, 2015 READ WITH SEBI CIRCULAR NO. SEBI/HO/CFD/CMD1/CIR/P/2020/84 DATED 20th MAY'20

1. Resumption of Operations and steps taken for smooth functioning:

The outbreak and rapid rise in Covid19 infected cases in India aggravated over past 4 months and triggered back-to-back nationwide lockdowns, substantially disrupting the economic activities since 24th March'20. In line with government directive, the Company had temporarily shut down all its business operations, including all plants since 23rd March'20 leading to a near halt of the business activities, impacting sales and profit of the Company.

The Company laid down a comprehensive Standard Operating Procedure for restarting operations taking adequate preventive measures, disinfecting office premises and factories, suspending biometric attendance and performing background checks of attending personnel. In all the offices, factories and warehouses, all safety and hygiene measures including hand sanitisation, wearing face mask, following social distancing, regular sanitisation of work places, mandatorily having Arogya-Setu App in mobiles, thermal checking at the entry gate including background checks of any personnel attending factories and offices, are being taken. The Company has been regularly spreading safety awareness amongst employees, distribution network, front-end teams, retail, and vendor partners.

With the relaxations introduced from Lockdown 4.0, most of the warehouses, branches, offices, plants of the Company, retail and distribution outlets have been reopened gradually from early-May'20, in compliance with the directives issued by Government(s) Authorities. Production resumed strictly based on inventory clearance and business requirements. The supply line will be continuously replenished basis demand and inventory holding levels. There are encouraging symptoms of business resumption, though at a slower pace, as is noticeable – primary sales have started, despatches resumed, collection inflows picking up and outstanding liabilities getting paid – consequently the liquidity position of the Company has strengthened and is well under control. There is no concern in servicing debts and outstanding borrowings are well within permissible limits approved by the banks with adequate vacancy in lines available to service future working capital requirements. The Company is carefully monitoring the cash flows to decide on deployment in long term investments. Whilst most of the planned capital projects have been re-phased, the strategic greenfield project and ambitious digitisation initiatives continue to remain as top priorities for sustainable future growth of business.

2. Initiatives undertaken during lockdown period

- The Company formed a “Covid Response Team” pan-India. Ever since lockdown, the Company reached out to all business partners and stakeholders, firstly to ensure safety and security of families and secondly to provide support at times of crisis.
- The Company facilitated proactive support to its channel partners through extended credits. The Company also interacted with Vendor partners to seek cost reduction and also mutually support on payments.
- Apart from all preventive measures undertaken, the Company had in response to this rising contagious risk, voluntarily closed its Head Office at Okhla from 20th March’20 enabling “Work from Home” which is still continuing. OEL paid full wages to all contract workmen during the lockdown period.
- In view of the disruption in business the Company also adopted several actions to reduce expenses and costs, re-prioritising projects and new initiatives, withholding discretionary spends like advertising and promotion expenses, lease rentals, administrative and infrastructural costs, travel costs and even temporarily holding back all recruitments.
- The Company opened multiple channels of business beyond the traditional Trade channel. E-Commerce business revived with higher intensity and stronger engagement.
- The Company embarked upon digitisation in a big way, rolling out a basket of new digital enablement like the Sales Force automation, Dealer management systems, transport management system, customer and vendor onboarding workflows and integrated cash management system.
- The Company utilised the lockdown periods productively to accelerate digitization activities and for capability building by conducting trainings around product knowledge, soft skills, digitization and technical skills.
- The emerging “new norm” encouraged the team to re-imagine our workstyle, processes and organisation structure. The team responded with high agility and adaptability, embracing digital way of working. WhatsApp & zoom calls were used to stay actively connected with retailers.
- To enable consumers to connect with nearest retailer, list of open retailers and their contact numbers was regularly updated on our website and this was supported by strong digital communication on social media.
- Orient Call centre remained open during lockdown by digitally enabling the call center executives to take the calls from home. Critical customer service calls were attended after taking special E-pass.
- Multiple live streaming townhall sessions have been conducted by the Managing Director & CEO of the Company in order to connect with the employees, to take up their concerns, discuss the recent developments at the Company & way forward, etc., through Workplace@facebook.

- Having a robust and secure IT network enabled continuity of work and communication throughout this pandemic period. Numerous online trainings were conducted for employees covering, soft skills, product and processes.
- The Company also contributed Rs. 3 crores to the PM Care Fund in order to support the society at large.

3. Impact of Covid 19 on Business Operations:

Revenue

The business of OEL was adversely affected during the complete lockdown period starting 23rd March'20 until mid-May'20. Every touchpoint of the channel including distributors, dealers, retail outlets including modern retail and all institutional sales, so much so, even the entire logistics system were shut down during this period. The Company operates through two major segments -

Electrical Consumer Durables: Products under Electrical Consumer Durable segment records maximum sale during Q4 and Q1. The business was season-ready for 2020 with impressive portfolio launches comprising the i-Series, luxury Chandelier series and energy-efficient Inverter Air Coolers, focusing on adequate retail availability. However, the lockdown impacted product sales with reduced room for planning and responsiveness. Consequently, the working capital outlay to sustain Fans & Coolers category had an adverse impact on the entity numbers, marked by higher receivables and inventory on account of a closure of normal operations.

Orient's master distributors carried peak opening inventory and gained advantage of timely stock availability, thus picking up quick momentum in secondary sale after mid May'20, crossing 100% volume in June compared to June of last year. The trade inventory has been reduced to desired post season levels and thus despite good secondary sale and expected gain in market share, Orient reported a low primary sale. A sell-out scheme for coolers was introduced to support correction of channel stocks. The momentum seeming continued in July'20 with near last levels except in places where lockdown continued. However, going forward rest of quarter and year still remains unpredictable and uncertain.

Lighting & Switchgear: Business under this segment was doing very well prior to the lockdown in March'20. However, the outbreak of 'Covid-19' had slowed down the pace of consumption and secondary movement. Shut down of entire logistic system including distributors, dealers, retail outlets including modern retail and all institutional sales impacted the movement and supply. The electronic components stock imported from China, is sufficient enough to withstand any sourcing disruption until Sep'20, and imports of electronic components are still continuing at a slower pace. The secondary sales have picked up to near normal levels since June and generally continued in July'20. However, the forthcoming months are still uncertain and is subject to state of unlocking.

However, for both segments, the future still appears uncertain with intermittent lockdown in different parts of country restricting the deliveries, non-availability of project sites withholding.

Profitability

Due to sudden lockdown on account of Covid19 and consequent disruption of manufacturing operations, the profitability of the Company was adversely impacted during the lockdown period which extended to mid of quarter ending June'20. Lower level of business volumes because of the disruption during the lockdown period, disabled to drive any operating leverage and cover for the minimum fixed and committed costs despite significant reduction of expenses.

With the government introducing relaxations in the lockdown, with restricted re-opening of retail outlets, transportation of all kinds of essential and non-essential goods, and finally followed by a graded approach to restore normalcy in the less affected zones with the announcement of Unlock-1 and 2, the sales slowly started picking up from June 2020 onwards, but the suspension of economic activity from March 2020 till mid-May 2020 adversely impacted the Company's results in first quarter of the financial year 2020-21. Profitability was further impacted by the payment of wages on minimal sales and no production activity during the lockdown period. Lower volumes impacted the productivity and thus impacted the gross margins.

The Company has taken several actions to reduce all other expenses. These cost reduction initiatives include renegotiation with third parties, restricting new spend commitments, withholding of discretionary spends and deferring all recruitment plans but without comprising on competency building and employee health.

Inventory Position

The Company has sufficient inventory to cater the demand for the next few months. After unlock, the Company has already started productions taking all necessary safety and preventive measures and lower capacity utilisation as per government guidelines being announced from time to time, to fulfil the demand expected to begin with the forthcoming festival season of the current financial year.

Working Capital and Financial Resources:

Characteristically, for the Company March-June every year happens to be the maximum cash generating period of the year. Due to pandemic, downfall in sales and consequently in collections in the most crucial period, there was initial stress on the cash flows for first 3-4 weeks of the lockdown. However, the Company has quickly recovered back to normalcy with high focus on collection of its receivables and liquidation of inventory to relax the working Capital pressure. The Company has rolled back to comfortable liquidity position by July'20.

The Company is taking all necessary measures to keep the finance cost at lower levels which includes with better utilisation of low-cost funds, higher utilisation of channel finance to provide additional support to channel partners and lower Vendor Finance volumes.

With the Government releasing mega economic-booster packages and the RBI offering financial assistance for revival of activities by farmers, migrant workers, low income groups and the MSME sector, the Company has taken every possible step to provide financial assistance to all these sections of society with prompt payments despite pressure on the business.

Liquidity Position and ability to service debt and other financial obligations

The Company has enough financial resources to take care of immediate fund requirements to meet out all its business liabilities. Even during the lockdown period, the Company has been able to meet all its financial obligations towards vendor liabilities, statutory dues and employee dues on time. During this pandemic situation, the Company responded with speed to the transforming environment. The Company reworked strategies and rephased capital projects scheduled for FY 2020-21. Incidentally, majority of trade outstanding end-March'20 has been recovered in the quarter ended June' 20, even after extension of credit support. Interest and Loan repayment, as and when fall due, were repaid on time without any default and the Company does not anticipate any issue in meeting the future obligations towards any of its lenders. In-fact, the Company improved its net debt position mainly led by increased collections and reduced inventories. The Company has not even availed the moratorium made available by the banks.

Assets

The Company is asset-lite for Fixed Assets. Basis the best estimates of revenue, expenses and current assets, as on the date of reporting, in the given situation of high uncertainty and with its last 4-month performance, the Company does not anticipate any material impact on the recoverability of the carrying value of its assets including trade and other receivables, contract assets, unbilled revenue, inventories, property, plant and equipment and right to use assets.

Internal financial reporting and control

The Company has robust internal financial controls in place. During lockdown period the transactions happened through online tools. The Company did not compromise any of the controls, but they are being further strengthened through all digital interventions. Internal Audit of processes are also being conducted digitally from the ERP system. The Company carried out cyber security assessment and is taking measures to further strengthen the firewalls. Regular online awareness sessions / programs are being organized for all employees.

Supply Chain and Demand for Products

Operations at all the plants and warehouses have been resumed with all precautions and safety measures. The intermittent lockdowns and containment zones in some parts of the country is disrupting logistics operations. The Company has sufficient stock available at its warehouses and at Distributors to meet any consumer demand.

Financial Results for the year ended 31st March'20 and Quarter ended 30th June'20

The Company has taken every possible step to close the books of accounts and publish the audited results for the quarter and year ended 31st March'20 and also unaudited results for the quarter ended 30th June'20. The Company assessed financial impact of conditions arose due to COVID-19 outbreak on its business operations and the same has been adequately disclosed in the Notes to the Audited Financial Results for the quarter and year ended 31st March'20 approved by the Board on 1st June'20 and also in the Unaudited Financial Results for the quarter ended 30th June'20 adopted by the Board and declared on 27th July'20. The Company also conducted Annual General Meeting of shareholders on 7th August'20 through video conferencing mode, taking all feasible efforts under the current circumstances to enable the shareholders to participate in the AGM, for passing all resolutions as per the Notice including adoption of the Financial Statement for the financial year ended 31st March'20

4. Existing contracts/ agreements

During the lockdown period and till date, there has not been any incident of non-fulfilment of any contractual obligations which could materially impact the Company's business and operations.

5. Estimation of Future Impact of Covid-19 on business operations

The status of the pandemic in India is still concerning and increasing in alarming proportions by the day that is triggering unforeseen stringent actions by several local authorities with continuous sporadic shutdowns in many parts of the country. Hence, the uncertainty of the situation still prevails. Though the Government is introducing relieving measures and has announced Unlocks for revival of economy, but business recovery in the foreseeable future continues to be unpredictable until the date of this report. Therefore, the restoration of normal business conditions is dependent on the future state of the pandemic and its effect on the people and economy and any further directives from the Government. The Company is taking all measures to ensure unrestricted business operations as also to support its employees, workers, dealers and vendors. The Company does not anticipate any material impact on the recoverability of the carrying value of its assets including receivables, inventory, and fixed assets. In the wake of uncertainty, the Company is closely monitoring the pandemic situation and will continue to take further swift and appropriate action as may be required as per the prevailing situation and further

guidelines and instructions received from the Government and will also keep assessing for any material implication and adjustment to the carrying value of assets.

DISCLAIMER: Cautionary statement regarding forward-looking statements:

The above report may contain certain forward-looking statements relating to Orient Electric Limited. ("OEL", or "Company") and its future business, development and economic performance. These statements include descriptions regarding the intent, belief or current expectations of the Company and its directors and officers with respect to the results of operations and financial condition of the Company, as the case may be. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to (1) competitive pressures; (2) legislative and regulatory developments; (3) global, macroeconomic and political trends; (4) fluctuations in currency exchange rates and general financial market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigation; (8) adverse publicity and news coverage, which could cause actual development and results to differ materially from the statements made in this presentation. Company assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise. Any forward-looking statements and projections made by third parties included in this presentation are not adopted by the Company and the Company is not responsible for such third-party statements and projections. This presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this presentation. This presentation may not be all inclusive and may not contain all the information that you may consider material. Any liability in respect of the contents of, or any omission from, this presentation is expressly excluded. This presentation and its contents are confidential and should not be distributed, published or reproduced, in whole or in part, or disclosed by recipients directly or indirectly to any other person.