February 04, 2025

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 December 31, 2024.

Dear Sir / Madam,

In continuation to our earlier letter dated January 29, 2025, 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 Unaudited financial results of the Company for the quarter and nine months ended December 31, 2024, scheduled for Wednesday, January 29, 2025 at 05:00 PM (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 above information on record.

Thanking you,

Yours Sincerely,

For **ORIENT ELECTRIC LIMITED**

RAVINDRA SINGH NEGI
Digitally signed by RAVINDRA SINGH NEGI
Date: 2025.02.04 17:03:03 +05'30'

Ravindra Singh Negi
Managing Director & CEO
Encl.: as above

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"Orient Electric Limited

3QFY25 Earnings Conference Call"

January 29, 2025

MANAGEMENT: MR. RAVINDRA SINGH NEGI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ORIENT ELECTRIC LIMITED
MR. ARVIND VATS – CHIEF FINANCIAL OFFICER – ORIENT ELECTRIC LIMITED
MR. SAMBHAV JAIN – HEAD, INVESTOR RELATIONS – ORIENT ELECTRIC LIMITED

MODERATOR: MR. DHRUV JAIN – AMBIT CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to the Orient Electric 3QFY2024-25 Earnings Conference Call. 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 star and zero on your touch-tone 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: Hello, everyone. Welcome to Orient Electric's 3QFY25 Earnings Call. From the management side today, we have with us Mr. Ravindra Singh Negi, Managing Director and Chief Executive Officer; Mr. Arvind Vats, Chief Financial Officer; and Mr. Sambhav Jain, Head of Investor Relations. Thank you, and over to you, sir, for your opening remarks.

Ravindra Singh Negi: Thank you, Dhruv, and good evening everyone, and a very Happy New Year to all of you. A warm welcome to Orient Electric 3QFY25 Earnings Conference Call. Thank you for taking the time to join us today. I trust you've had a chance to review our financial results and earnings presentation available on the stock exchanges and on our website.

Joining me today are Arvind Vats, our CFO; and Sambhav Jain who looks after the Investor Relations. Let me start with a brief overview of quarter 3. And to me, I think the quarter 3 unfolded in 3 distinct phases of consumer uptake. The Phase 1, which I call it as a pre-Diwali festive season, and this was October, which saw robust performance across categories, which was driven by strong demand during the festive period, both across online and off-line channels.

Phase 2 which was immediately after Diwali, and there was a slowdown. From November until mid-December, we witnessed a noticeable softening in consumer spending across the categories. And the third phase was around the mid of December, which was the winter onset, and this was towards the end of the quarter.

We saw demand for heating products gaining momentum. And this was due to strong cold wave in North and East India. So these were the 3 phases which defined the consumer offtake for the quarter. If we were to look at from a macroeconomic perspective, the quarter was marked by a slower GDP growth and a subdued consumer demand. This trend was evident across general trade, modern retail and e-commerce with industry service also indicating a dip in housing sales in quarter 3.

But despite these challenges, we remain very optimistic. Early summer trends, and government spending in 4Q will boost sentiment, especially for cooling categories and B2B projects. Over the long term, we believe government-led infrastructure initiated investments in real estate sector coupled with urbanization and growth in Tier 2 and Tier 3 cities will significantly drive industry growth.

In this dynamic environment, Orient Electric has demonstrated resilience, maintaining steady growth across all categories. Our focus on premiumization is yielding results reflected in the positive outcomes across categories. Our top line stood at INR817 crores, 8.6% year-on-year growth and a sequential quarter-on-quarter growth of almost 24%. Incidentally, this is our highest quarterly revenue, and I'm sure from here on, we will build much higher.

Revenue for the 9-month period reached INR2,232 crores, marking a 10.2% year-on-year increase and improving on the last year YTD growth of 8.2%. Now let me take a pause and spend a little time on what we are driving at the core of our strategy. Our efforts on premiumization are helping us navigate the gross margin challenges and headwinds.

We focused on premiumization across all major categories of lighting, fans and appliances. Like in lighting, we continue to fill white spaces in our portfolio, the new products focusing on premium value adds like COB, which are growing at high teens on year-on-year basis, high-value panels, rope lights, flood lights, which are growing at double digits. These now contribute almost 50%, which is an improvement of almost 400 basis points on a year-on-year basis, and the traditional lamps do the balance. This ratio is amongst the better ones in the industry.

We've also launched a digital campaign in the water heater segment, focusing on consumer insight on faster heating. The focus, again, in this category was on square shaped storage water heaters would drive premiumization. Our early efforts though it's on a small base have shown 300 basis points improvement within the category mix of water heaters. And there is a lot of work happening on building a premium ranges in switches as we speak.

On the Fans business side, we have driven 2 key programs, and we've spoken about it earlier also, which is Project Orange and Project Spotlight, which are all about bringing the premium fans discovery to purchase experience enhanced. This has helped us drive BLDC Fans much stronger in a traditionally lean quarter for fans. This period, which is Q3 is usually a pre-run to season build up, especially for entry products.

But our BLDC new launches have helped us grow 60%, by 60% in BLDC in IoT category in the ceiling fan category in Q3. At a full year YTD basis, now BLDC and IoT contribute almost 20% of the overall ceiling fans category and growing at almost about 25%. Our premium in Deco category is approximately 30%, 31% now, and our ambition is to take it to closer to 45%. These are the efforts that I spoke about on premiumization, which is helping us navigate the entire headwinds of pricing and any downgrades from the consumer that we see.

Now let me talk about our quarter 3 performance, starting with Lighting and Switchgears. Our rapidly growing Lighting and Switchgear segments continue to perform strongly for us, with the year-on-year growth of almost 12%. And this is despite the ongoing headwinds of price erosion that we see very strongly in the market on B2C side.

This is a superior delivery versus the rest of the industry. This has also been a result of a committed strategy of focusing and driving value-add NPDs. Our Consumer Lighting business achieved high double-digit volume growth backed by our new distributor partnerships and diversified sales improvements. We continue to expand our product portfolio, and this has helped us gain market share in B2C across major markets and on an overall basis.

The B2B segment in Lighting has also shown promising growth. We are actively working on several infrastructural projects delivering high double-digit growth. The election and monsoon delays initially slowed infrastructure activity. We are now seeing an increase in the execution pace along with more inquiries for street lighting and facade business. We are very aggressive on the growth of our tender business and aim to significantly increase the same from the present level.

Our other categories such as Switchgears and Wires have also gained steadily driven by our focus on electrician and retailer means. In the ECD segment, we've achieved 7.3% year-on-year revenue growth and a sequential growth of 30% on a quarter-on-quarter basis. This is despite quarter 3 being traditionally a lean season for fans.

This growth was primarily achieved by our initiatives on channel shift as indicated by our DPM market revenue, which witnessed a high double-digit growth. In this quarter, we extended our direct-to-market presence in rest of Bengal, bringing the total count of direct-to-market states to 11.

As I said, we are focusing on our premiumization and the new product launches. Our new product launches have contributed 19% of our revenues in fans and our new BLDC fans have received good consumer and trade response. The Appliance business saw a good demand at the start of the quarter due to festive, but experienced a slowdown later partly due to delayed winters.

However, as we begin building channel inventory for the upcoming summer season and with the revival of infrastructure and real estate activity, we expect growth momentum to be better in quarter 4. Overall, we've gained market share in both Lighting as well as Fans category. We've also made strong strides in emerging channels such as e-com. Our focused sell-out strategy in e-commerce helped us to grow our market share in fans and in heating appliances.

We are closely focusing on fast-growing e-commerce platforms like Blinkit and Zepto and ensuring consumer discovery of our products on these platforms. On the operational front, cost optimization initiatives under Spark Sanchay are delivering results. The program has delivered INR52 crores of savings on a YTD basis, which is a 13% improvement year-on-year.

One of the key performance outputs this quarter has been a persistent gain in gross margins. This quarter, we've improved by 184 basis points year-on-year and 213 basis points at a YTD level. Gross margins are now sustaining a range of 31% to 33% as we speak, which is driven by premiumization, channel reorganization and a better product mix improvements. Our operating EBITDA margins for the quarter rose to 7.5%, which is up 98 basis points on year-on-year with almost 25% of value growth. With our Hyderabad plant operations now stabilized, we are ready for season demand. We expect further gains from operating leverage in the quarters ahead.

As you know, Mr. Saibal Sengupta, our CFO had superannuated and Arvind Vats has joined us as a new CFO. We've also added a dedicated BU head position for Switchgears and Wires to support and expedite our growth in opportunity categories. Mr. Tapas Roy Chowdhury has joined us as a BU head for Switchgears and Wires. And he comes with a strong background of having worked with Philips, Havells, Polycab and GM. These leadership additions will further strengthen our strategic focus areas.

In conclusion, we are confident that our strategic initiatives and preparation for the upcoming season will drive sustainable growth across categories. We would like to now open the call for questions. Thank you.

Moderator: Thank you very much. Our first question comes from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Just wanted to understand in the states where we are selling directly versus the states where we are not selling directly. What is the difference in the trade change? Means, let's say, where directly, we are selling like West Bengal we added, so it is company then the distributor and then the retailer and the consumer. Is that right?

And what is really different in the other states. So there we have a super stockist, as the chain gets added, is that understanding correct? Secondly, what is the difference in total tread spend? It means like stockist margins, distributor margins, retail margins, all these different margins that we pay. And lastly, is the electrician charges or electrician commissions are also paid similar in both type of markets? Yes, that is the question.

Ravindra Singh Negi: Thank you, Aniruddha for your question. Let me first explain basic difference between MD and DTM. MDs are the markets where we have a master distributor who then has a chain of direct dealers and distributors and retailers under them. They manage the sales and distribution in those states.

Direct are the ones where the layer of MD has taken off, and we directly appoint distributors, we directly appoint direct dealers, and we service the market. In terms of our commissions and all, the layer goes off and I would not disclose what's the commission structure between the 2, and that's how we've always maintained. But the larger impact that we see is that what we've seen in the market and as we've always maintained thing, look, it's never going to be DTM versus MD, it's always being a hybrid model that we will have.

Wherever the model seems to be working, we will continue with the model, whether it's a DTM or MD model, wherever there is a change required in terms of impact at the market, in terms of potential of the market and we not delivering as per the potential is where we will change, like rest of Bengal is what we did in a Q3 period.

So the big difference that we've seen is that wherever we've done, we are seeing those markets growing much faster than the MD markets. We're seeing market share gains, our emphasis on premiumization and the mix is getting, and our basics of distribution and things starts to improve there. So those are the ones that we do.

Just in terms of parity of retailer landing, that's what we maintain across MD and DTM market. So at a retailer level, the landings are more or less the same across different markets, whether it's electrician or any other.

Aniruddha Joshi: That's very helpful. But the question on electricians means, let's say, in a state where we have a master distributor. So in that state also, do we have direct connect with the electrician as well as the direct commissions are rolled out to him via the app or in a way it is routed through the master distributor only?

Ravindra Singh Negi: So we don't have a direct connect with the electrician, but we have an engagement program for the electricians where we have app and the electricians then register there. There are different benefits that they get on the app. We do a lot of connect sessions in terms of educating our electricians on the products, the features, the benefits that we do through our teams as well as wherever we have MD team. But the larger connect is through the mobile app that we have.

Aniruddha Joshi: Okay. Sure, sir. Understood. Just 2 more questions. One, what is the current revenue share of the states with direct, in a way, or a master distributor versus the remaining states. That is one. And secondly, now this year, we are -- while expectation of summer is also still good, we are still going to be on a very high base of last year.

So how do you see the overall summer and in a way growth rate panning out? And we are almost at the end of January. So how is the trade inventory panning out as well as the in a way, the primary sales also. Yes, that's it from my side.

Ravindra Singh Negi: Yes, Aniruddha. So the first question is on saying how do we look at summers and let me just try and answer that question first, is that when we look at now and our complete expectation is that if you look at the season now in January, there is quite a good indication that summers may just set in a little earlier.

Specifically, when we talk about North and East, the West and South have a different cycle there. Trade inventories and other things, some part of delayed winters, but a good winter has also helped liquidate the winter product, which helps the cash to come back in the cooling and the summer product. Right now, we are all expecting and our complete belief is that the summer will be a good one. The entire focus in the organization is to make sure that we are ready for the season with the new products, new launches as well as the right inventory levels across the country.

So we are all gearing up for that. And hopefully, the summer should be good, and we should be able to cater to the demand that we see from there. The real test of this is February and March. Jan in any case, in the quarter 4 is, in terms of contribution is the least contributing month.

Aniruddha Joshi: Okay. Sure, sir. And does the revenue breakup between the MD states and other states?

Ravindra Singh Negi: Broadly right now, it's about 70:30.

Aniruddha Joshi: 70 would be the? Sorry.

Ravindra Singh Negi: Master distributor is 70, and DTM is 30. And that's from a fans only perspective.

Moderator: The next question comes from Viraj from SiMPL.

Viraj: So just 3 questions. First is on the margin. I think in the past, we talked about aspiration to move back to 10% operating margins or slightly more over next couple of years. Can you just kind of give some perspectives where are we in that? And what are the drivers of that? That is one.

Second is, a few quarters back, you talked about cost impact from EPR and us looking to pass that in the market through price increases.

So can you also give some perspective, what is the cost increase and how much of that has passed through in the market? And how do I just ask after we've done the first two.

Ravindra Singh Negi: So let me first take the margins question. If you look at our margins for the quarter, our operating margins, there are 2 levels that we've always spoken about in saying while the operating margin improvement will be fall out of what we do at a top line and a gross margin level. And hence, for the last few quarters, we've always been maintaining things.

The first lead indicator is always the gross margin. And that will come to a steady state level of 31% to 33%. Our complete effort is to there, can we improve further on that. Yes, obviously, we are trying to get there. And we also looked at what are the contours of getting the gross margin improvement, and that's the mix premiumization and that's why all the efforts are getting on to getting into the right segments and right mix.

So our gross margins have now come to a steady state of going to 31% to 33%, and that, I think, should be a comfort that all of you should have. The second stage was saying, how are we getting operating leverage and how is our operating margin. So if you look at it this quarter, we've done 7.5% operating margin, which is 98 basis point improvement year-on-year and quarter-on-quarter, it's about 209 basis point improvement.

We've always said that we've invested on our structure, on our capex and everything ahead of its time. How we build up our top line will start giving us operating leverage, and that's what we are now starting to see some bit of it. We will keep improving from here on a good summer and a couple of good quarters, and we should inch up on this operating margins also.

Your second question was on the EPR. EPR has been factored in. Some bit of it is absorbed as cost, some bit of is passed. We've always maintained that whatever we need to pass to the consumers, we will not shy away from it. And if you are a brand which is good for lifestyle and premiumization and you take the conversation away from price to a feature led, consumers do end up paying for that, and that's what the entire effort is all. And that's business as usual now from the EPR perspective.

Viraj: So from an EPR perspective, whatever the cost increase we saw, that has either been negated through cost measures or price increase? Would that be right? There is still some under absorption you have?

Ravindra Singh Negi: Viraj, that was taken last year. So EPR is something that we have taken in quarter 4 last year, and that's for the industry, and that's how it has been done.

Viraj: Okay. Just last, it's more of a request. I mean, we have been kind of following up for close to 9 months to -- 9 to 10 months for a meeting with you, I mean, with earlier MD also. but we have not been that fortunate. So just a request, if you can give an opportunity to us as well?

Ravindra Singh Negi: Viraj, definitely. I'm sure we will fix up a meeting soon. Thank you.

Moderator: The next question comes from Bhargav from Ambit Asset Management.

Bhargav: Sir, if you look at employee cost for Orient and compare it to peers, we are outliers by a large distance. So when do we expect the employee cost to come under control because that's what is causing some delays in operating leverage as well. Is it fair to say that bulk of the hiring across SBUs has been done? Or do we see employee cost growing ahead of revenue growth as well next year?

Ravindra Singh Negi: So thanks, Bhargav, for the question. And let me just address it by saying that we've always maintained that. Look, there is always a lead and lag between how you invest and what is the leverage that you start getting out of it. We've always invested on people, getting the right structures, and it's always a chicken and egg story. What do you do and when do you do?

So we've taken the right step of saying if we have to build up businesses, if we have to build up the right things, we will have to invest ahead of the time. Some of the things like if we have to invest in Lighting business, can I build a Lighting business or a B2B business in Lighting without the B2B team being there or should I build the B2B business first and then get a team.

So we've always taken the route of saying, let's bring the right talent, let's bring the right people and then build it up. The other thing that you have to look at it from a perspective of once the top line start to come in, that's where the operating leverage will come in. And over the last 3 quarters, if we were to look at it, our employee cost as a percentage of revenue has come down.

From a 10.2% in quarter 1 to 11.8% in quarter 2, it's at 9.2% and if you look at from an industry average, right now, anything if you look at any of the peers and all, they are all in the range of 9% to 9.5%. So we are not way off, but that's not giving us the consolation of saying that we are doing.

We are constantly working to make sure that we get the right talent, we get the right delivery of top line from the current structure, and we improve it further. And basically, 80% of this employee cost is fixed and 20% is variable after the top line that keeps going.

Bhargav: Secondly on gross margins, if you look at the pre-COVID, we were in the range of 31% to 33%. And if you look at the current levels as well, we are in that range. Now given the DTM share rising coupled with new product developments that we are doing and now we already have appointed a new BU head in Switchgear, which is an extremely high-margin business. Is there a road map where we can touch 34%, 35%, maybe 1 year down the line? Is there a thinking on those grounds as well?

Ravindra Singh Negi: So Bhargav, you are right, pre-COVID levels, we were at about 31% to 33%. Then we dropped, we came down as low as 27% and then the last 4, 5 quarters, we've been building the gross margin, these are concentrated efforts in getting the right mix and everything done. And this is also where we've managed the headwinds of inflation and commodities.

Yes, you're right. And I said in my opening remarks, also saying that it's 31%, 33% broad range? Are we happy at that. No we are not, and obviously there is more that we can do it on. We're now investing on Switchgears and Wires, and we just got a BU head as we speak. That should help us grow especially the Switches and Switchgears will help us grow the gross margin up on that. So in next 4 quarters, we should see improvements or some bit of the range moving up.

Bhargav: Sure. And lastly, many congratulations for the working capital. So it has been consistently coming off. So 16 days is a fairly good number to it. So congrats and all the very best.

Moderator: Our next question comes from Nattasha Jain from PhilipCapital.

Nattasha Jain: Congratulations, sir, on a great set of numbers, especially in the non-seasonal quarter. So my first question is in continuation to what the first participant had asked. So when you were explaining the non-DTM chain, you said that there is a master distributor. So when your DTM state picks up growth, then do you get out of the value chain? And do you get the master distributor back? Or do you continue to remain in the value chain?

Ravindra Singh Negi: Nattasha, thanks for the question. And as we said, it's a hybrid model that we have, which is wherever the market is doing well, we will continue with the MD wherever the market has not done well or the states have not done well, we will evaluate and move towards direct to market. Once you go to direct to market, you will build up a connect, you will build up a structure, you will build up a direct relations with the distributors and the retail. The large strategy is that once we do that we stay invested in that model for that market.

Nattasha Jain: Sir, then is that not cost accretive to you if you continue to stay in the market and not get a stockist or master distributor?

Ravindra Singh Negi: So Nattasha, let me clarify. So when we go direct, that doesn't mean that I'm going directly to the retail. So it's not that we're just taking one layer of master distributor out. So my distributors are there, my direct dealers are there. My distributors cater to the retail there, my direct dealers cater to their set of retailers. So that structure stays there.

Nattasha Jain: Got it. So sir, then would it be correct to say that since you will continue to remain in the value chain for some time, then ideally there should be a margin benefit pass-through to the distributor chain because now you're saving on the master distributor. So can we see that margin coming into your books?

Ravindra Singh Negi: So it's not as simple math as that. There is a structure and a team that I also put up. So there is the cost structure that you see salary, the question that Bhargav was asking and other things. Those are the structural changes that you do. You put more efforts in the market. There is the benefit that you get on our DTM market is through the value chain of premiumization, value chain of a better mix, value chain for deeper distribution, value chain of your direct connect with the retailers.

So those are the costs that you do incur and there is associated cost of logistics and other things. So it's not a straight trade-off that you do. In the long run, you get a far more closer to the end consumer versus the MD market. And that's the benefit that we draw out of this.

Nattasha Jain: Sir, then I mean your DTM states have shown phenomenal growth. Now is it just a low base impact or I mean does that not warrant that other states should also do DTM. I mean you're doing much better in your DTM states than your non-DTM states right now?

Ravindra Singh Negi: So there are 2 factors. When we go through a transition, so depending on the transition, and obviously, there is a little bit of base impact also. But then we don't look at just the base impact. We look at mark-to-market, am I improving the market share and all.

So base impacts can give you growth percentages, but that's not what we get happier. We also look at eventually, am I getting a better mix, am I getting a better market share gain. Most of the markets that we've now moved on, we are seeing consistent market gains. And obviously, when you do a transition, that's the time you lose a little bit of market share, but we look at gaining back and increasing on the pre-transition market share, and that's what we are witnessing in all the DTM markets.

Nattasha Jain: Got it. And sir, my last question is mainly a broader level strategy question now. It's been 9 months since you've been in the system. So just broadly, how has your experience been? And any strategy level changes that you have initiated apart from what you were handed once you join the company?

Ravindra Singh Negi: So Nattasha, I think that's a larger, broader level question. And I think best handled once either we have a one-on-one connect, and I can then take you through what's been the strategy in action, what are the value adds that we've done on it, and how that strategy is playing out. Some bit of it is getting reflected in our results, some bit I've articulated in our conversation.

Some bit is in the opening remarks, I said how we are now focusing on premiumization, not just in fans, but across. Some bit it is also work in progress, now focused on Switchgears and Wires given the shape of a business unit, getting leaders there. Those are the things that are happening. But obviously, a larger debate and a larger conversation we can do Nattasha if we set up a call.

Nattasha Jain: Sure, sir. And all the very best.

Moderator: Next question comes from the line of Dhruv Jain.

Dhruv Jain: Sir, 2 questions. One is that the industry has seen sort of prolonged deterioration in consumer lighting realization. Just wanted your take on it, how long do you think this will sort of continue? And any early signs that it starts to turn?

Ravindra Singh Negi: Thanks, Dhruv, and thanks for getting a question on Lighting. Somewhere I always feel that all of us kind of missed that Lighting as a great category. And India is an underlit country. And obviously, as we speak, there are a number of lighting touch points in the house, which are growing. And if you were to look 10, 15 years back to now the kind of lighting solutions that we have are very different.

When we look at pricing erosion, I think we must first break the whole Lighting business into 3 distinct parts. One is 1 part is which is commoditized. So your bulbs and battens are getting commoditized. The other is the value add. The third is the B2B and a tender business. The B2B tender business is getting a great tailwind of infrastructure development that's happening across.

There is value add, which the consumer is now looking at saying, look, what part of my house I want to highlight and how do I highlight those are the solutions which were not there 10 years back and which are now there. The one part, which we basically commoditized bulbs and battens, those are the ones which are under price erosion.

And there is some bit of price erosion which is happening even on the value-add side, but if you play the mix well, you will be able to handle the headwinds. But yes, there is price headwinds, which are there, price erosions which are there. And hopefully, there will be some more discipline that will come out in the industry.

And we will see some slowdown in the price erosions. In the gest to get market share, I hope some of the new entrants as well as some of the existing players do not keep discounting as we move forward.

Dhruv Jain: Sir, if you could just speak about what's the kind of revenue share in your Lighting segment pertains to the B2B Lighting? I think that's been growing a lot faster for you?

Ravindra Singh Negi: Yes. So B2B has been growing faster. Our current split between a B2C and a B2B is about 80:20. Ideally we would want it to move up, but that's where we are, and we are building both the size of the business together, and that's what is reflecting in our growth numbers and our gains both in B2B and B2C side.

B2C side, we measure in terms of our market shares from a third party. We are gaining market share there. Our growth rates are better than the industry. B2B some bit of base effect also, but some bit of good infrastructure projects and getting a foothold in some of the facade business, street lighting business is what is helping us.

Moderator: The next question comes from Shreyas Sahu, an individual investor.

Shreyas Sahu: Congratulation on a great set of numbers.

Ravindra Singh Negi: Yes. Thanks. Shreyas. We can hear you. Please go ahead.

Shreyas Sahu: Yes. I wanted to understand with the buyers BU coming in, are you all looking at -- significantly looking at a sizable business in the Wires category and the way forward that you have for that particular BU that Wires and Switchgears?

Ravindra Singh Negi: Thanks for the question. And we definitely see potential in the Wires business. We've got our BU head joining us now. How much do we see? What's the rollout, what all could be the possible way forward strategies, we'll take some time to come back. But definitely, we see and we've been in the business very small.

We've tested the waters. We've going through our learning curve on it. And we will first get our investments on the thought and structure, and then we'll come back and say how do we see and what kind of growth opportunities and market share opportunities that we see there. Give us some time before we answer that to you.

Moderator: The next question comes from Rahul Agarwal from Ikigai Asset Management.

Rahul Agarwal: Sir, one question I had was on the people hiring. I think broadly, are we done with it? Or there are certain positions still to be filled up?

Ravindra Singh Negi: Rahul, thanks for the question, and thanks for asking this. We are more or less, there are a couple of positions, which are still there. But largely from an overall structure perspective, we have a leadership team, which is there and there are a couple of positions if we need to look at it. But for us to start leveraging the assets that we have, we have a sizable team enough to deliver that. If that gives you a comfort Rahul.

Rahul Agarwal: Right. Would you like to just highlight what positions I'm talking about here, which are left? Are there BU heads or something else?

Ravindra Singh Negi: So Rahul this -- we will -- I'll ask Sambhav connect with you and do one on one.

Rahul Agarwal: Sure. And one, just a clarification about consultant who was involved into advising us, is that contract done and are we hiring them, rehiring them again? Any thoughts on that?

Ravindra Singh Negi: That was done, and that was done in quarter 1.

Rahul Agarwal: Right. So there is no new reappointment, right?

Ravindra Singh Negi: Not as of now, Rahul.

Moderator: The next follow-up question comes from Viraj from SiMPL.

Viraj: Yes, I just had a follow-up to the previous participant's question. So are there any payouts which are left or made in quarter 3 where it is a consultant we hire?

Ravindra Singh Negi: So Viraj, firstly, these are questions that we don't answer. But just to give a broader this thing, as I said, the consulting project was over and out by quarter 1. Does that answer your question?

Viraj: Sure. I'm trying to take it on one-on-one.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Ravindra Singh Negi: Thank you. Thank you, everyone, for coming on the call, and thank you for your encouraging wishes and questions. Thank you for the call.

Moderator: Sorry to interrupt sir. Sir, we have a last minute registration question coming off.

Ravindra Singh Negi: So happy to take that last question.

Moderator: The next question comes from Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I'm trying to understand, I'm new to the company, so please pardon my ignorance, but I can see that our operating margins have reduced from around 11% in FY '21 to around 6%, 7% now. So now what is the reason for this sir. Has the product mix changed, has there been basically realization, de-growth, have the raw material prices gone up?

Or sir, any combination thereof? Or sir, maybe the competition has intensified in the market. So what exactly is the reason for the decline in margin? And sir, going forward, do you foresee our margin again returning to double digits in the future?

Ravindra Singh Negi: So Madhur, I think you've picked up a margin at 1 point of time in the last 5 years. And I think since you said you looking at the category for the first time, I think if you look at the larger industry, I think at an industry level, there's been a little bit of margin that's come down but you picked up 1 point and said that we were at 11%.

Yes, definitely, the ambition is to touch double digits. We've moved down and this was multiple reasons for it, but we've also now built it up and all our strategies of premiumization, focusing on Lighting business, building up the right portfolio in fans is helping us inch back towards the earlier levels.

Madhur Rathi: So by when can we expect double-digit margins? Is it fair to expect by FY '26 next year?

Ravindra Singh Negi: So the guidance on this is that we've now -- the first step that we always said was saying let's get our gross margins in our control, we have dropped on gross margins. We'll now move to a 31% to 33% range. We definitely see 100 basis point improvement on that range also. We could look at 32% to 34%, and that will slow down. Our first task is to say how do we get operating leverage from a 7.5% EBITDA margins to slightly up and consolidate that range, and then we look at inching closer towards double digit.

It will take time. In 4 months -- 4 quarters, we should definitely see some high single digits operating EBITDA margins.

Madhur Rathi: Right, sir. And sir, also, if you could give us some idea about the top line growth that, sir, any targets that you are working on from INR3,000 crores trailing 12-month revenue, sir, when in your judgment, can we reach INR5,000 crores or sir at what rate do you think we can grow? Sir, is 15% CAGR kind of growth? Is it possible? Or sir, what are your thoughts on the top line growth?

Ravindra Singh Negi: Madhur, we don't give a forward-looking guidelines there. But definitely, we will come back and by March and April, we will give you clear plan and saying, how are we trying to look at the business from the 3-year perspective. Our current delivery has been saying how do we grow faster than the industry, and that's what we've been driving and saying, how to grow faster than the industry. As far as for 3-year plan, we will be sharing with all of you by April, May, what will come back.

Madhur Rathi: Great sir, thank you very much and best of luck.

Ravindra Singh Negi: Thank you, everyone, for coming on this call.

Moderator: Thank you. On behalf of Orient Electric, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.