

# INVESTOR RELEASE

Q4, Financial Year  
2020-21

## Momentum continued with caution

Whilst the momentum of previous quarters continued in Q4'FY21 with pent up demand for home appliances across all retail channels, the pandemic started reappearing with the second wave towards the end of the quarter causing early fears of lockdowns. Rising commodity-led costs and availability created strong headwinds for margin protection. However, the cost-push price increases and onset of the second wave in South & western India raised alarm bells in the market to alert the distribution setup in exercise restraint while building pipeline inventory.

## OEL registered profitable growth

The growth momentum for the company continued through the quarter, partly led by sustained consumer demand and partly due to lower base LY. B2C business led the high-growth engine for the company in Trade and e-commerce channels but at a slower pace since Mar'21 with headwinds of a commodity-induced price increase. The institutional business showed some signs of revival but got affected by restrained capex spending by corporates. The most significant factor was Tender business that remained sluggish owing to slower projects execution and/or non-availability of project clearances, thus restricting the aggregate entity growth.

With a second-wave surge of Covid cases peaking in March'21, mainly starting in West and South India, an apprehensive distribution exercised caution to slow down the seasonal stock build-up and was mainly on a stock replenishment mode. On the other hand, in some parts of the country the Covid fear restricted footfalls in the market. However, sustained consumer demand was still prevalent in the retail outlets.

OEL registered a 42% revenue growth y-o-y for the quarter and dropped by 1% y-o-y for full year. Q1 lockdowns had initially held back the pre-Covid momentum. All product categories performed well in the quarter mainly driven by the B2C segment in retail outlets and e-commerce. It was the lacklustre Tender business that pulled back the strong consumer growth of the entity during the quarter and for the year. The aggregate growth of OEL excluding Tender stands at 2% y-o-y for the year as against (-)1% reported. Consumer centricity, accelerated push over digital adoption, optimised inventory and faster recoveries had been key thrust areas in the quarter to ensure business performance amidst strong headwinds of commodity-led cost push.

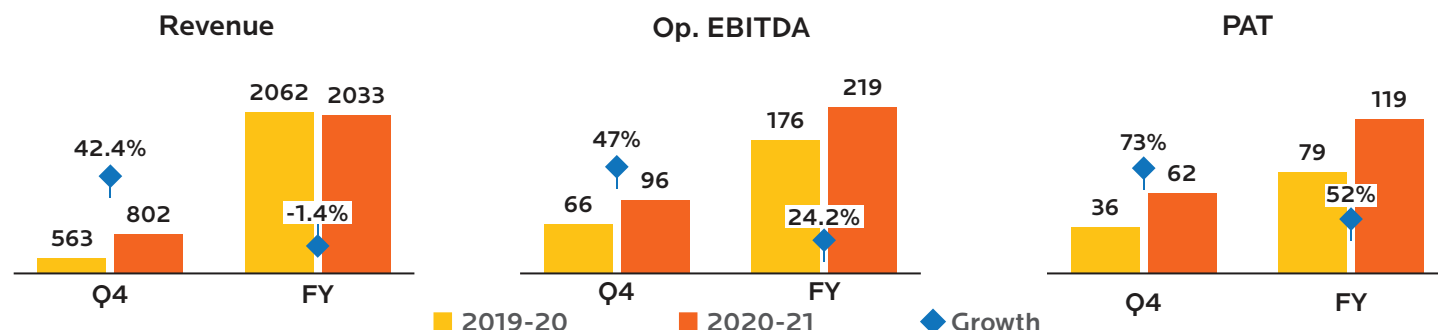
The company grew the operating EBITDA by 47% y-o-y for the quarter and by 24% over LY for the year, to expand the EBITDA by 230 bps from 8.5% of revenue to 10.8%. The net profit for the company grew by 73% for the quarter and by 52% for the year, over last year, respectively.



Consequently, the key performance indicators for the year stacked up as follows –

- The ROCE stood at 57% in FY'21 as against 27% in FY'20.
- The EPS grew 52% y-o-y to increase from Rs. 3.70 per share in FY'20 to Rs. 5.63 per share in FY'21.

### Key Highlights Q4 and FY21



### Key Ratios – FY21

	FY 20-21	FY 19-20
ROCE	57%	27%
EPS	5.63	3.70
Debt to Equity	0.03	0.27
TOL/TNW	1.55	1.67
Current Ratio	1.38	1.32

**Gross Margin:** The commodity-led steep cost increases showing up from previous quarter impacted Q4FY'21 as well, though partly made up by price increases and product mix improvement. Gross margin contracted 250 bps y-o-y for the quarter and by 300 bps sequentially Q-o-Q because of the steep cost increase as has been indicated, which could not be passed on to consumers in view of the prevailing market conditions.

**Expenses:** On the contrary, more focus was given to reduce the Expenses and ensure margin protection. Brand promotion expenses were revived during the quarter with TVCs, advertising in major cricket events and targeted on-ground activation. Apart from the strategic brand building investments, employment costs and finance costs reduced y-o-y. All other expenses have remained flat at last year levels for the quarter.

**Finance cost:** Full repayment of loans enabled the reduction of finance cost by 30% Y-o-Y for the quarter and reduced by 21% for the year to date.

**Income Tax:** Lower corporate tax rate opted last year has helped in reducing the incidence of tax year on year.

**Working capital:** All initiatives and action to drive down working capital paid off with well-planned inventory, higher channel financing utilisation, reduction of outstanding and increasing payment terms of Vendor with vendor financing support to partners, had a combined effect to reduce working capital from 47 days in Mar'20 to 11 days in Mar'21. These actions helped improving the cash conversion cycle and generating stronger cash flows in the quarter.

### Net Debt position as on 31<sup>st</sup> Mar'21:

- Gross Borrowings at Rs. 15 cr. (non-current and current)
- Cash & Bank Bal = Rs. 257 cr.
- Net Debt/ Cash surplus = (-) Rs. 242 cr.

## Outlook: Uncertain in near term with positive expectations in the medium term

The mid-term outlook for the consumer electricals industry continues to be optimistic with increased adoption and shorter replacement cycles, driven by increased work-from-home and shift to energy-efficient products. However, in the short term, sudden steep upswing in the Covid positivity rate since March'21 is resulting to lockdowns, market closures and logistics challenges during the current quarter across most of the states. Furthermore, the steep material costs arising from commodity supply chain challenges, restrained cash flows from the market, currency fluctuations and seasonal support will all add up to slowdown in consumption and margin pressures with heightened competition. Despite the obstacles, the company foresees the increasing latent demand for home consumption with all consumers and resurgence of a sharper and newer normal of lifestyle. The focus of the company on consumer centricity will continue to remain supported by innovation in products, reach expansion, digitisation and talent. The company will need to tread with utmost caution and topmost priority in securing the health and safety of all its employees and enabling business continuity amidst the constraints.

The greenfield project for manufacturing capacity expansion at South India is on track but is likely to get affected by few months in view of the new lockdown restrictions across the country.

## Both segments show up high growth

On the back of a lower base and robust retail pull-up across channels, both the segments delivered high double-digit growth for the quarter as summarised in the table.

	Quarter Ended				Year-to-date		
Rs Cr.	Q4 20-21	YOY %	Q3 20-21	Q4 19-20	FY 20-21	YOY %	FY 19-20
<b>ECD</b>							
Revenue	646	42%	460	455	1,514	1%	1,492
PBIT	93	29%	68	72	205	13%	182
<b>Lighting &amp; Switchgear</b>							
Revenue	156	44%	158	109	519	-9%	570
PBIT	23	83%	23	12	69	16%	60
<b>OEL</b>							
Revenue	802	42%	618	563	2,033	-1%	2,062
PBT	84	74%	69	48	162	42%	114



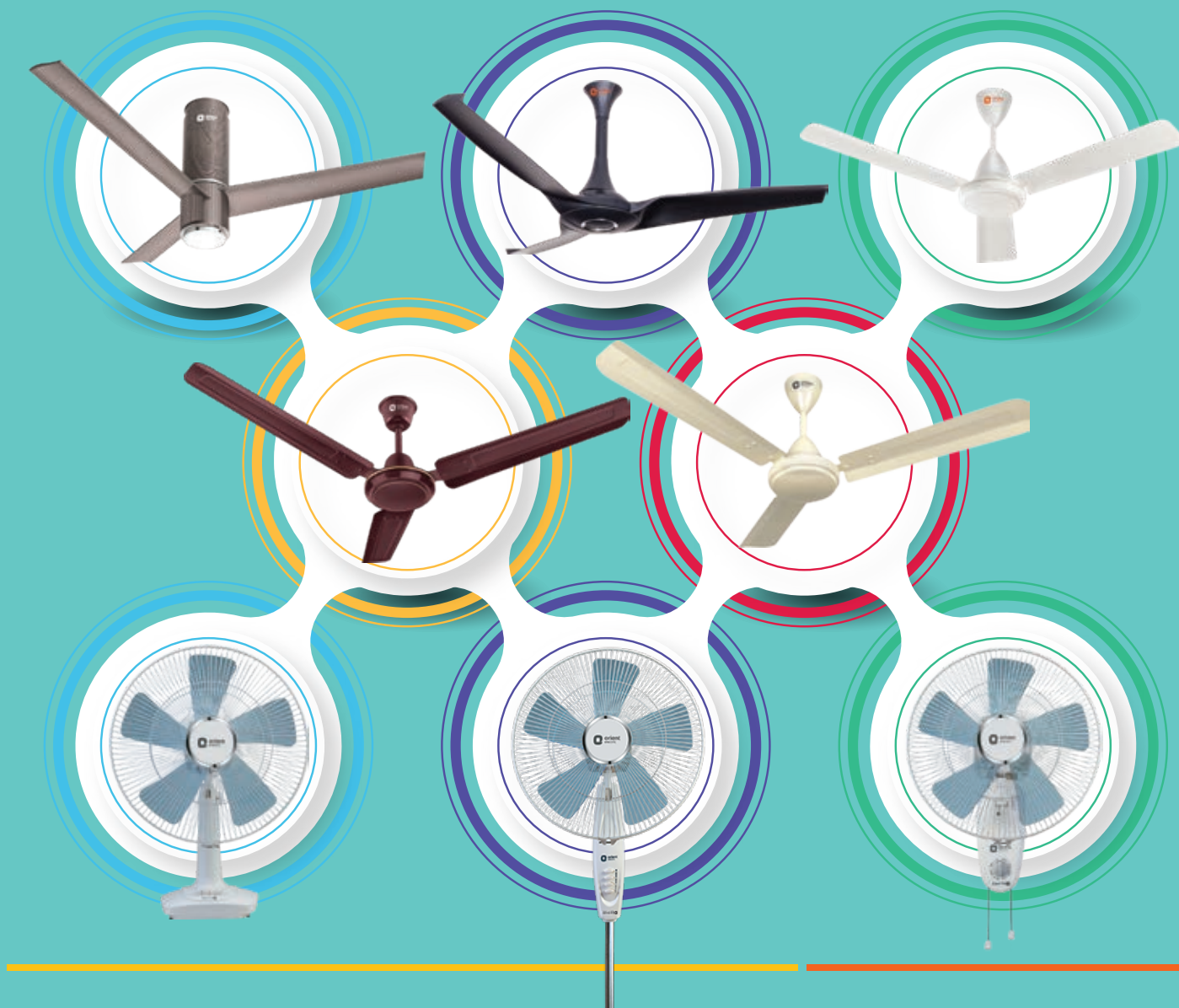
## Electrical Consumer Durables (ECD):

The ECD segment delivered 42% growth y-o-y in Q4'FY21. This was partly on a lower base of March'20 and pick-up of pre-season build-up from distribution. The commodity supply-cost effect rolled into this quarter and adversely affected this segment because of large dependence on steel, copper, ABS and plastics. The cost push was partly passed on through price increase. All retail channels including large format stores and e-commerce registered high growths, with e-commerce delivering 2x of last year in the quarter.

### Fans

Meticulous planning, incentivization & investment in brand building helped the growth in the quarter. Launch of semi-rural product Rapid Air expanded the product portfolio in fast expanding entry-level category. Despite material availability and social distancing challenges, production was scaled up in-quarter at both plants for timely service of demand. Due to various disruptions, including farmer's agitation, some critical components of premium fans faced shortages. Despite some

component level supply disruptions, Fans recorded high growth in the quarter, but margin pressures persisted in this product segment. Working capital has been substantially reduced y-o-y with better inventory planning, accelerated collections and restructuring of vendor terms through various Vendor Financing products. This has resulted in better cash generation for the segment.



## Home Appliances

Uprising of steel and ABS costs and inability of brands to increase prices due to high trade inventory put continuous challenge in Coolers and led to margin compression during Q4'FY21. In Water Heaters, proactive planning and strong vendor engagement helped execute localization, thus significantly reducing China dependence. Change in consumer behavior with more focus on home cooking led to higher growth of Kitchen appliances. Ecommerce saw significant growth for kitchen & small appliances category. Despite short winter & delayed product availability, industry witnessed aggressive pre-season growth in Heating appliances. Retail Connect programs

and digital enablement is being leveraged by Orient Electric to track markets and harness expansion opportunities. Timely on-boarding of local vendors, special focus on Online sales & distribution expansion in key markets enabled a high growth for appliances. There has been considerable expansion of operating margins for this category due to reduction in operating costs and leverage of spends. This segment also reduced working capital substantially with strategic inventory planning together with restructuring of payment terms and with higher collections.



## Lighting & Switchgear

This segment has registered a growth of 44% y-o-y for the quarter on a lower base of last year and (-) 9% for the year. However, excluding Tender revenue, this L&S segment has grown at 46% y-o-y for Q4FY'21 and at 6% y-o-y for the year. Good traction in Consumer Lighting and down trading of switchgear is driving the market whereas B2B business is still suffering a setback owing to constrained capex investments. No major Tenders from EESL have been awarded in the quarter or in the year. Besides, slow ground clearance is also hindering the execution of projects. Input prices of PC, PP, Electronic components and metals is impacting the cost but still leverage of spends due to high C-Lum volumes, better product mix and effective cost optimisation enabled a margin increase of 83% y-o-y for the segment in the quarter and similarly a 16% growth y-o-y for the year.

## Lighting

Lighting growth was predominantly driven by consumer luminaries segment and was fueled by upsurge in consumer demand in T-2 and T-3 cities, increase in consumer preference and rising home consumption and some switch of share from unorganized to established brands. Increase in input costs and shortage of electronic components like IC and LED Chips created pressure on margins. B2B Business environment remained subdued as new projects were on hold. Improved forecasting and meticulous planning

ensured right availability and fulfilment with speed which emerged as differentiators. Rising input cost and availability remained a major concern area and are influenced by prices of polycarbonate, polypropylene, and metals. Strategic shift in focus on high wattage lamps has also enabled higher volumes and mix resulting in improvement in the margins. Reduction in working capital resulted in healthy cash generation.



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## Switchgear

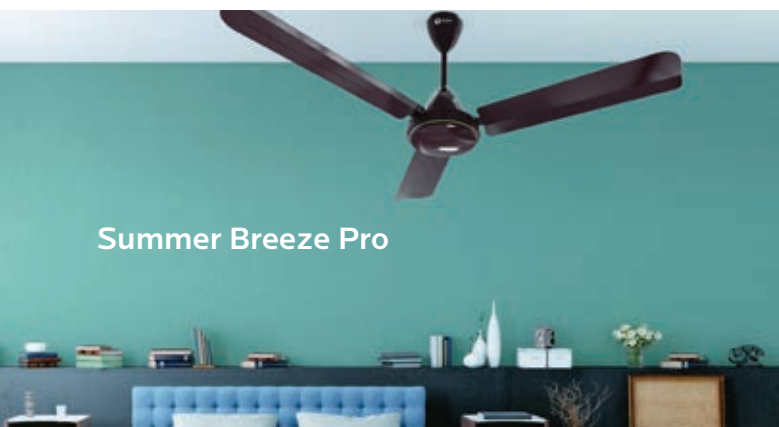
This business faced strong headwinds for B2C & B2B segments in Covid environment. Consumer preferred established brands and retailers also preferred brands with quick sale conversion and minimum advocacy. Physical demo of products with influencers and the B2B segment suffered a setback under the growing pandemic risk concerns. Further, input cost increases also posed pressure on margin retention. On a lower addressable market with lower volumes, OEL carries an immediate disadvantage and hence played selectively in this space with high dependence on influencer programs on ground, to gradually penetrate in targeted geographies and drive growths.



## Key developments of the quarter

### Product Launches & development

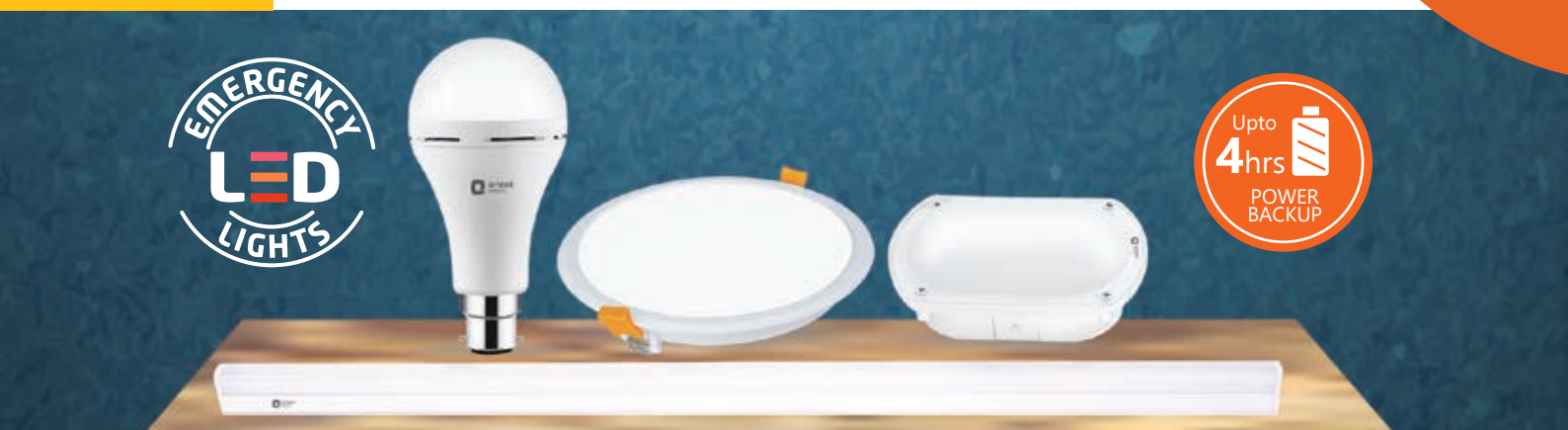
#### FANS



#### HOME APPLIANCES



## LIGHTING



### Digitisation under “e-Wings”

The “e-Wings” digitisation program of OEL, kicked off in 2019 but acquired centre stage during the pandemic disruption. A plethora of interventions were rolled out throughout last financial year. During the quarter, more thrust was given on the digital drive of the company across all business processes including engaging with the business partners. The adoption of all digital enablement that has been implemented on the ground has been further accelerated to leverage on these enablement and ensure seamless business through remote ways working.



### A “Great Place to Work” – second time in a row

With disruption in personal as well as work life for all employees, in a year that underwent major transitions, OEL was once again certified as a **Great Place to Work®** in March 2021, for the second consecutive year, with an improved score.



## Response to Covid19

The relapse of the second wave of pandemic has already started taking a toll on the society at large in quick time. Covid positivity have become wide-spread and has not exempted the company’s employees and business partners along with their families. At this hour of crisis, it becomes the topmost priority of the company in protecting the health & well-being of company’s people, while alongside maintaining business continuity. The Covid Response Team of the company has been further reinforced and empowered with “Quick Response Teams” for round-the-clock monitoring of the on-ground situation in every territory in India, and to continuously provide instant help and support to all Covid affected staff and their families.

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## our values

### Excellence

- We consistently aim to achieve and exceed **global benchmarks** in **quality** and **best practices**
- We always strive for **fresher ideas** and **newer ways** of doing things
- We are most responsive to changing **modern lifestyles** and **consumer needs**
- We **demonstrate drive** and **commitment for performance**

### Integrity

- We are committed to the highest standards of **professional ethics** and **honesty**
- We are credible, **we do what we say**
- We act in accordance to **our roles** and **responsibilities**
- We are **accountable** for both our **successes** and **failures** and do not allocate blame
- We **speak up openly** without fear

### Collaboration

- We collaborate across functions and businesses to drive **organization goals**
- We build mutually rewarding **long term relationship** based on **trust** and **credibility**
- We respect **diversity** and believe in consulting, engaging and **empowering people**
- We celebrate collaboration and take **pride in our own work** and that of others

### Trust

- We foster a **culture of belief** and **trust**
- We are open and **transparent** in **sharing** relevant information to all stakeholders
- We are an **open organization** which values **everyone's point of view** regardless of one's position in the hierarchy
- We provide **enough freedom** and **space** for people to deliver on their commitments

### Care

- We encourage **practicing empathy** in all our acts
- We **respect** each individual and **value everyone's contribution** in the value chain
- We care for the need of **individual** and **professional development**
- We partner in creating a **caring environment**



**switch to smart**

Fans • Home Appliances • Lighting • Switchgear

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