

Mr. P.K. Sonthalia
 Authorized Signatory
 Orient Electric Ltd.
 9/1, R.N. Mukherjee Road,
 Kolkata – 700 001.

February 20, 2018

Confidential

Dear Sir,

Credit rating for bank facilities

Please refer to your request for rating the bank facilities of your Company.

2. The following ratings have been assigned by our Rating Committee:

Facility	Amount (Rs. crore)	Rating ¹	Remark
Long-term Bank Facilities	133.16	CARE AA-; Stable (Double A minus; Outlook: Stable)	Assigned
Long/Short-term Bank Facilities	188.50	CARE AA-; Stable/ CARE A1+ (Double A minus; Outlook: Stable/ A one plus)	Assigned
Short-term Bank Facilities	3.30	CARE A1+ (A one plus)	Assigned
Total	Rs.324.96[#] (Rs. Three Hundred and Twenty Four crore and Ninety Six lacs only)		

[#]Post demerger of the consumer electric division from Orient Paper & Industries Limited (OPIL) into Orient Electric Ltd (OEL), the rated bank facilities appearing in the books of OPIL as on Mar.01, 2017 have been allocated between the demerged entities (OEL's share is tabled above); however bank wise allocation is yet to be finalized by the bankers.

3. Refer **Annexure 1** for details of rated facilities.

4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is February 16, 2018).

5. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.




Kindly revert as early as possible. In any case, if we do not hear from you by February 21, 2018 we will proceed on the basis that you have no any comments to offer.

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.

If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE

Thanking you,

Yours faithfully,



(Abhishek Khemka)

Manager

abhishek.khemka@careratings.com



(Arindam Saha)

Deputy General Manager

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Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure I

Details of Rated Facilities

Facilities	Amount (Rs. crore)
Long term bank facilities (Term Loan)	61.66
Long term bank facilities (Fund based)	71.50
Long / short term bank facilities (Fund based)	66.00
Long/Short term bank facilities (Non-fund based)	122.50
Short term bank facilities (Non-fund based)	3.30
Total	324.96[#]

[#]Post demerger of the consumer electric division from Orient Paper & Industries Limited (OPIL) into Orient Electric Ltd (OEL), the rated bank facilities appearing in the books of OPIL as on Mar.01, 2017 have been allocated between the demerged entities (OEL's share is tabled above); however bank wise allocation is yet to be finalized by the bankers.



Annexure 2
Press Release
Orient Electric Limited

Ratings

Facility	Amount (Rs. crore)	Rating ²	Remarks
Long-term Bank Facilities	133.16	CARE AA-; Stable (Double A minus; Outlook: Stable)	Assigned
Long/Short-term Bank Facilities	188.50	CARE AA-; Stable/ CARE A1+ (Double A minus; Outlook: Stable/ A one plus)	Assigned
Short-term Bank Facilities	3.30	CARE A1+ (A one plus)	Assigned
Total	Rs.324.96[#] (Rs. Three Hundred and Twenty Four crore and Ninety Six lacs only)		

Details of instruments/facilities in Annexure-1

#Post demerger of the consumer electric division from Orient Paper & Industries Limited (OPIL) into Orient Electric Ltd (OEL), the rated bank facilities appearing in the books of OPIL as on Mar.01, 2017 have been allocated between the demerged entities (OEL's share is tabled above); however bank wise allocation is yet to be finalized by the bankers.

Detailed Rationale & Key Rating Drivers

The ratings of Orient Electric Ltd. draws support from long experience of the promoters, OEL being part of established C.K. Birla group and continuous improvement in the performance of consumer electricals segment. The rating also factors in the OEL's dominant position in the Fan business with strong brand recall for its other consumer electricals products amidst favorable outlook for the consumer electrical business.

The ratings, however, are constrained by stiff completion from established players in the industry and unorganized players in the fan business.

Ability to further improve its product acceptance and expand its outreach with continuous improvement in the profitability while maintaining the overall capital structure shall remain the key rating sensitivities.

Detailed description of key rating drivers

Key rating strengths

Established group with long experience of the promoters

OPIL, belonging to G.P. - C.K. Birla group, was incorporated in July, 1936. Shri C. K. Birla, at the helm of the affairs of the company, has been associated with the company since 1978. G.P. - C.K. Birla group, established by late Shri B.M. Birla, is a leading industrial group of the country and has major interest in diverse range of products like automobiles, auto ancillary products, earthmoving equipment, engineering products, chemical, cement, paper, fan and consumer electrical items.

Strong brand recall for its products

In FY15, OPIL came up with its new brand 'Orient Electric' to present itself as an integrated home solutions provider for the Electrical business. The move is part of the company's strategy

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

to reposition Orient Paper & Industries' electrical divisions current brand identity 'Orient Electricals'. The company incurred Rs.25 crore as branding expense for the same. The makeover helped the company to consolidate its diverse business verticals - fans, lighting products, home appliances and switch gears - under one umbrella brand 'Orient Electric'. MS Dhoni is the brand ambassador for the company's electronic products. The products are sold through a wide distribution network of around 4,400 dealers and 80,000 outlets spread all across the country.

One of the Market leaders in the Fan business

OPIL holds the second position in the overall Indian Fan market with revenue of Rs 945.9 crore in FY17 and ~20% share of the organized market and is the largest exporter of fans from India (with market share of ~60%). It has also received the prestigious Business Superbrand status for 2017. Fan segment currently holds 1st position in Central, North and East zone and 2nd position in South zone.

Satisfactory performance of the enterprise in FY17

The net sales of the consumer electricals segment increased by about 5% in FY17 over FY16 in view of growth in the appliance business (y-o-y growth of 35%) on the back of aggressive marketing/launch of appliances on a PAN India basis. Sales volume of electric fans improved marginally in FY17 mainly due to the impact of demonetization in that period. Lights & Luminaries segment however witnessed a marginal decline during FY17 due to lower orders from the government.

The overall profitability margins of the consumer electrical segment witnessed a gradual increase from 5.26% in FY15 to 6.72% in FY16 and 7.55% in FY17 mainly on the back of aggressive marketing/ rebranding of electric division brand as 'Orient Electric' and gradually realizing its benefit. Further the decline in the input cost coupled with increase in volumes helped the company to generate better profitability.

Favorable Outlook of Consumer Electrical Segment

The organized fan market in India is estimated to be around Rs.6,500 crore and the revenue for organized electric fan market is growing at a CAGR of ~12% during the last five years. Of this, OEL accounts for about 20% market share in India and 60% market share in exports. Higher disposable incomes, increased availability of continuous power and a faster shift to the organized sector has propelled the electric fan market in India, which augurs well for the company.

India Lighting market has grown at a CAGR of ~17% during the last five years and is projected to grow even in future due to tremendous growth in the LED Lighting industry. LED Lighting market has grown at a CAGR of ~57% over last five years. Government initiatives to replace incandescent bulbs with LED bulbs under various schemes, increasing energy demand in the country and declining prices of LED lights are the major factors driving the growth of LED lighting in India.

Home appliances industry witnessed a growth of ~5% in FY17 led by Room Coolers and Mixer Grinders which has grown by ~12% and ~10% respectively.

In OEL the fans continue to dominate the segment while the lights & luminaries segment is expected to grow with the launch of various LED products, appliances sector is expected to turnaround with the high demand of room heaters, water heaters and coolers and the launch of new switchgear products in new geographies is expected to add a large market share of the competitive electrical industry.

Key Rating Weakness

Stiff completion from established players in the industry and unorganized players in the fan business

Though the company has strong presence in the fan market, it faces tough competition in appliances & lights segment from the already established players in the industry. Further, the influx of Chinese products & the unorganized market (especially fan) also creates a highly competitive market.

However, OEL has maintained its market share in the fan business over 3-4 years, majorly because of its strong distribution network and product innovation. Further to guard itself from heavy competition, OEL has consistently focused on exports and currently it has a healthy market share of ~60% of total fans exported from India, with a strong presence in the Middle East and Africa. The management has plans to increase its penetration deeper in all the current markets with plans to add new products for export segment.

Analytical approach: Standalone.

Applicable criteria:

Criteria on assigning Outlook to Credit Ratings

Criteria for Short Term Instruments

CARE's Policy on Default Recognition

Rating Methodology – Manufacturing Companies

Financial Ratios – Non-Financial Sector

About the Company

The Consumer Electric Division of Orient Paper & Industries Limited (OPIL) has been demerged into Orient Electric Limited (OEL) with effect from 1st March 2017; vide the scheme of Demerger, approved by the National Company Law Tribunal (NCLT), Kolkata on November 09, 2017.

Resultantly, Orient Electric Ltd. incorporated in October 2016, currently has a fan manufacturing capacity of 80 lakh units p.a., lights & luminaries capacity of 144.5 lakh units p.a. and a newly commissioned switchgear unit having a capacity of 25.5 lakh units p.a., situated in Haryana & West Bengal.

Brief Financials (Rs. crore)	FY17 (A)	9MFY18 (P)
	Merged	De-merged
Total operating income	1,878.1	1,002.5
PBILDT	135.4	53.6
PBT	67.5	26.1
PAT	50.6	17.0
Overall gearing (times)	0.87	1.06
Interest coverage (times)	3.05	3.10

A: Audited P: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ST-BG/LC	-	-	-	122.50	CARE AA-; Stable / CARE A1+
Term Loan-Long Term	-	-	-	61.66	CARE AA-; Stable
Fund-based - LT-Cash Credit	-	-	-	71.50	CARE AA-; Stable
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	66.00	CARE AA-; Stable / CARE A1+
Non-fund-based - ST-Forward Contract	-	-	-	3.30	CARE A1+

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