

Investor Release

Q4, Financial Year 2019-20



The pandemic dominates the headlines, disrupts businesses

What seemingly appeared in the beginning of the quarter to be an encouraging run up to the close of the fiscal, tumbled to a screeching halt, barely with one-third of Mar'20 yet to finish. The rapid spread of Corona Virus (Covid-19) worldwide ever since Feb'20, with the concurrent preventive advisories imposed, gradually started to diffuse the consumer sentiments in India from early Mar'20. This was clearly visible from lacklustre footfalls in retail marketplaces and reluctance of trade to pick up stocks. The situation aggravated rapidly and disrupted the economic activities across the country quite substantially and with uncertainty. On 11th March 2020, the Covid-19 outbreak was declared a global pandemic by the World Health Organisation (WHO). Consequent to this, Government of India declared nationwide lockdown on 24th March 2020 which was further extended from time to time. Abiding the Govt. directives, Orient Electric Limited had temporarily shut down all its business operation since 23rd March 2020, only restrictively resuming during May'20. This has adversely impacted the business activities of the Company.

The Govt. of India, alike many others across the world, swiftly sprang into action to inject emergency-like preventive measures of social distancing, sanitisation and creating isolation centres. On the other hand, RBI and the Govt. of India also unleashed an array of liquidity stimulus to enable monetary easing at the hands of entities and people in the times of lockdown hardships. Even when the virus-affected numbers were rising, slowly and gradually, zone-based relaxations and reopening of retail happened from early May'20 onwards. Whilst no stones were left unturned by all Govt authorities to reboot business, the exodus of migrant workers from big cities raised early warning signals on resumption of manufacturing, construction and services sector activities, post-lockdown. At the time of publishing this report, the volatility, uncertainty and unpredictability of the macro economic situation continued to persist.

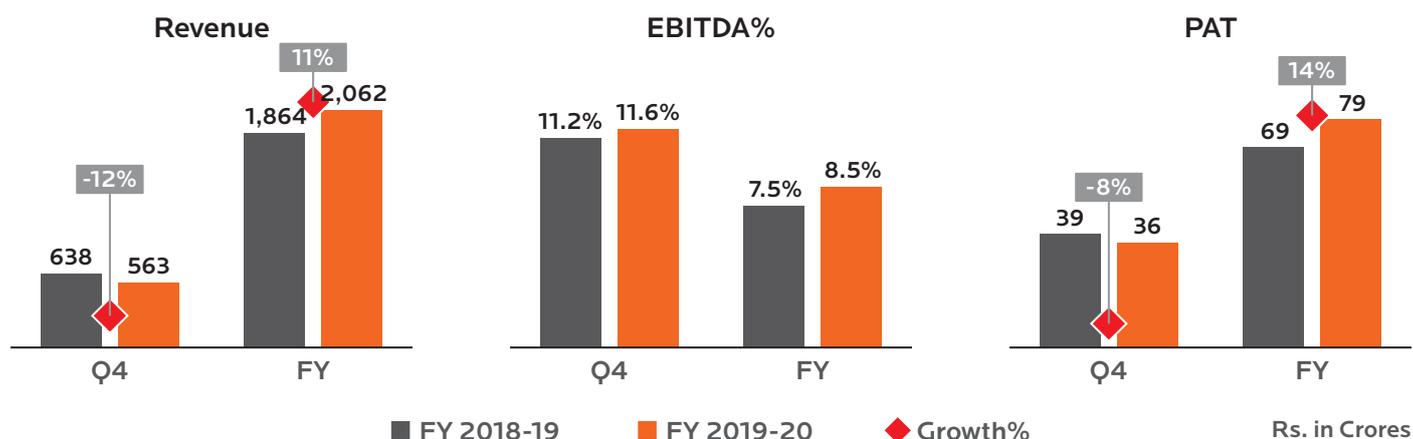
OEL weathers it

Under the circumstances, the business of Orient Electric Limited (OEL) has also been adversely affected when it was just about to take off in Mar'20. Orient Electric had consistently surged ahead delivering industry-beating performance for the previous three quarters in the year, growing at 22% on a year-to-date basis until 9-month ended 31st Dec'19. Covid19 dampener had pulled down the run rate to finish the financial year at an aggregate growth of 10.6% y-o-y with a quarter impact of (-)11.7% for the quarter ended 31st Mar'20. During Jan-Feb'20 the company had a reasonable mid-teens growth with reasonably good response from the market with signs of secondary picking up.

Op. EBITDA was affected by the significantly lower sales in Mar'20 which could not generate adequate margins to recover the cost which by the time lockdown started was virtually committed and fixed. Over and above, as per Govt. advisory, the company was committed to pay full wages to workmen deployed even without production. Thus, during the quarter ended 31st Mar'20, EBITDA expanded by 40 bps y-o-y from 11.2% LY to 11.6% CY. Similarly, for the year ended 31st Mar'20, EBITDA increased by 100 bps from 7.5% LY to 8.5% CY.

Lower margins partly compensated by reduced rate of tax, enabled the PAT to grow by 14.0% for the year ended 31st Mar'20 whereas % to revenue remained flattish at 3.8%. However, for the quarter ended 31st Mar'20 there was a negative growth of PAT by (-) 7.6%.

Key Highlights Q4'FY20



Fans and air-coolers remained the focus of attention in the Electrical Consumer Durables segment during the quarter and C-Lum business continued to lead the way in Lighting & Switchgear segment. Both segments continued to deliver mid-to-high teens growth before lock-down in the quarter, until the sudden and unprecedented development caught the businesses unaware.

Interest cost of borrowing had actually reduced y-o-y for the quarter and for the year, however, the impact of leased assets accounting under new accounting standard, introduced from 1st April'19 and coupled with bank charges has increased. The lower borrowing costs were due to better utilisation of borrowed funds, in course of the quarter.

Similarly, the effect of accounting change of leased assets impacted the higher Depreciation cost for the periods.

Segment impact

The Segmental performance for the period ended Mar'20 has been as follows:

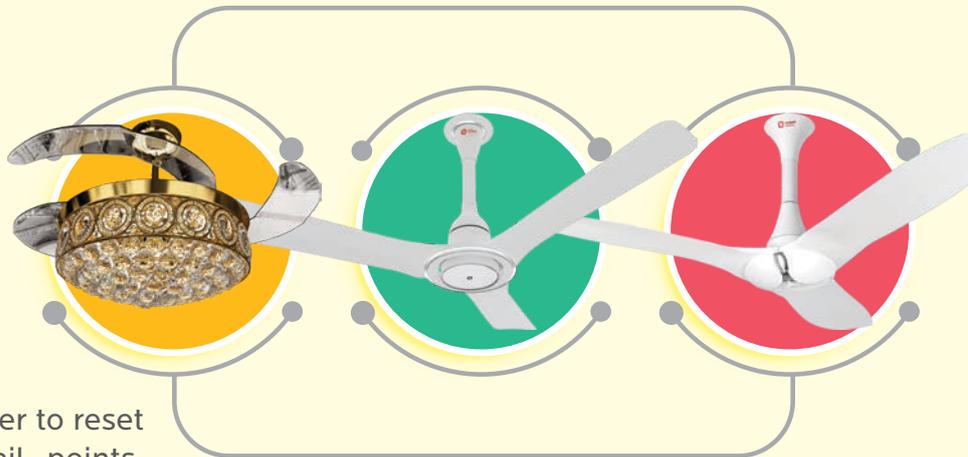
Rs Cr.	Quarter Ended				Year Ended		
	Q4 19-20	YOY %	Q3 19-20	Q4 18-19	YTD 19-20	YOY %	YTD 18-19
ECD							
Revenue	455	-4.5%	325	476	1,492	12.2%	1,330
PBIT	72	10.6%	40	65	182	20.5%	151
Lighting & Switchgear							
Revenue	109	-32.9%	171	162	570	6.6%	535
PBIT	12	-49.9%	23	25	60	1.5%	59
OEL							
Revenue	563	-11.7%	496	638	2,062	10.6%	1,864
PBT	48	-19.3%	29	60	114	8.9%	105

Electrical Consumer Durables

OEL was gearing up for good summer products business in Q4FY20 with exciting new product offerings, timely channel fill-ups and well-planned marketing campaigns. The ECD segment was well placed with a high-teens growth run until Feb'20 and was poised for a quantum leap but was restrained with a (-) 4.5% growth for the quarter y-o-y but finished the year with 12.2% growth for FY'19-20.

Fans

The Fans industry was looking well set in the pre-season run up. With an impressive product line up which included the energy efficient i-Series fans and air circulating luxury chandelier series, OEL had aligned a good balance of strategies in regulating primary and secondary sales during the early part of the quarter to reset the SKU-mix availability in the retail points. Whilst the fans industry was trending at a modest single digit value growth in past reporting periods, Orient had seemed to outperform with an indicative uptick in the market shares. During the quarter and before the Covid-19 slowdown was visible, premium, base and TPW fans continued the momentum with higher offtakes in trade. The volumes in the quarter suffered a setback due to the quarter-end dampener and therefore the margin expansion could not be



delivered to the desired levels. Our distinct strategy for South India, distribution enrichment, value proposition and brand visibility scale-up will continue to remain but with revised action plans in view of the disruptions. Exports have also shown up some demand generation resulting in y-o-y growth. Working capital has consequently increased on 31st Mar'20, with higher receivables and inventory holding due to closure of normal business activities.



Home Appliances

The good traction of water heaters in Q3FY20 rolled over until mid of Q4FY20. Favourable summer season indicators also saw early stock up of Coolers by Trade. Your company strategically kept this segment energized with the launch of the new-gen inverter air coolers. Similarly, Kitchen appliances on a relatively smaller base went leapfrogging through to Feb'20. Your company's partnership with the globally renowned De'Longhi Group was strengthened further with enhanced distribution and product portfolio augmentation in the year. But for the Covid-19 outbreak, appliances category would have experienced focused and heightened media campaigns than in earlier periods. Working Capital cycle had improved as compared to last year aided by better utilization of channel finance and vendor finance.

Lighting & Switchgear

Lighting & Switchgear segment delivered results above industry average for earlier reporting periods and both were maintaining high teens growth till mid-quarter primarily led by CLUM trending above industry average. Business disruptions, social distancing, travel and transport advisories all contributed to business slowdown and a total halt in lockdown period prior to March closing. As a result, the quarter ended with a growth of (-) 33% on a high base of Q4 LY, and for full year '19-20 it seemed to stay ahead of industry with growth of 6.5% y-o-y.

Lighting

The lighting business continued its performance track until Feb'20. Despite building inventory, large Tender orders could not be fulfilled for delivery at project sites, due to business disruptions in Mar'20. Similarly, the CLUM business, which is primarily retail, also got impacted due to the slowdown of business

activities. Though no new tenders for street lighting came up in the quarter, the company had an unfulfilled order book before the lockdown started. Though the pricing challenge continued, there was expectations of price increase. There was an overall slowdown in the trade due to sluggish consumer offtakes.



Switchgear

The sluggish trend of the industry continued with down trading and weaker demand in real estate. However, the premium segment showed some signs of growth until Feb'20. With thrust on electrician meets, increasing influencer programs, focus on B2B business and

enhancement of the depth of distribution in markets of presence helped the growth momentum of the switchgear business. Whilst all supplies were in place, the muted consumer sentiments affected the revenues in Mar'20.



Impact on profitability

Profitability: The pandemic outbreak severely impacted the consumption trend from early Mar'20, followed by the nationwide lockdown for the closing 10 days of the month, this occurred at a time when revenues were all set to take a steep surge with favourable seasonal conditions and all fixed costs already been committed or incurred. Secondary sales started receding early Mar'20 resulting to a cascading impact on primary sales and distorting the sales mix for the first half of the month until the economic activities came to a grinding halt. As a result, the sales volume, coupled with the misbalanced product mix did not generate sufficient gross margins to recover the fixed costs. Besides, the accrual of wages during shutdown of production, as per Govt. advisory, further aggravated bottom-line. All this affected the EBITDA margins for the quarter. Net Profit reduced (-)7.6% y-o-y for Q4FY20 and grew 14% over LY for FY'20 .

EBITDA expanded by 40 bps for Q4FY'20 and by 100 bps for full year FY'20 from 7.5% last year to 8.5% in current year. In absolute value EBITDA reduced (-)8% over LY during the quarter but grew by 25% y-o-y for full year FY'20. As explained above, the EBITDA got affected by lower revenues and disrupted mix due to the Covid19 slowdown and shutdown impact.

Income Tax: Your company has opted for the lower tax rate of 25.17% (effective) as per the new Taxation Laws ordinance. This is reduced from the erstwhile marginal rate of 35%. Consequently, the deferred tax asset & liability has been re-measured for the differential impact.

Working capital has increased by around 13 days end-Mar'20 over LY due to unsold inventory build-up, unrecovered receivables due to abrupt closure and liquidity challenges in the market. Current ratio however remained flat. The company had also initiated an aggressive overdue recovery action plan through legal intervention which yielded results by early recovery of outstanding over 120 days and enabling reduction of overdue. The company plans to take this forward with more rigor.

Gearing ratios improved by the year-end with partial lowering of debts. Total Debts reduced from Rs. 135 cr. LY to Rs. 99 cr. In CY. Long Term loans stood at Rs. 3.80 cr. which falls due for repayment during the next fiscal.

		Q4 19-20	Q3 19-20	Q4 18-19	YTD 19-20	YTD 18-19
PROFITABILITY AND GROWTH	EBITDA % to Revenue	11.6%	9.1%	11.2%	8.5%	7.5%
	PAT % to Revenue	6.4%	3.8%	6.1%	3.8%	3.7%
	ROCE	30%	32%	29%	30%	29%
	EPS	1.69	0.90	1.82	3.71	3.27
SOLVENCY AND LIQUIDITY	Debt to Equity	0.28	0.49	0.44	0.28	0.44
	TOL/TNW	1.67	2.00	1.90	1.67	1.90
	Current Ratio	1.32	1.32	1.33	1.32	1.33
	Cash Conversion Cycle	43	46	30	43	30

Key developments of the quarter

Product Innovations from the house of Orient

new Inverter i-Series fans range powered by the Electronically Commutated Motor (ECM) technology, saving nearly 50% energy over conventional fans, also available with IoT & voice controls.



Introducing
**Orient
i-Series Fans**
powered by ECM Technology

50% ELECTRICITY
SAVINGS
100% INVERTER
TECHNOLOGY

launched energy-saving inverter air-coolers in March 2020, which deliver 45% savings in energy consumption.



45% ELECTRICITY
SAVINGS



Power Fluctuation
Protection



2-Year Warranty
on Motor

the unique Eleganza series of air circulating luxury chandeliers, strengthening the company's premium product portfolio & positioning, and extending the company's range in the Luxury segment.



Guwahati : Operations transferred

During the quarter, the production operations of Guwahati plant were transferred to the existing plants at Faridabad and Kolkata and the lease for the premises was discontinued from 1st Feb'20. This action was taken in view of operational challenges being faced and resultant economic disadvantages at the plant for past two years. The manufacturing volumes at Guwahati being very insignificant as compared to other plants, the transfer of operations has been completed smoothly and without any material implications.

Dividend Paid

On the approval of Board of Directors at its meeting held in Jan'20, Company had paid Interim Dividend in Feb'20 @ Re.0.65/- per share for every Equity share of Re.1/- per share, i.e. @ 65% and final dividend proposed by Board @ Re.0.50/- per share for every equity share of Re.1/- per share, subject to approval by the shareholders in the AGM.

Digitisation under “e-Wings”

Pushing the digital ambition forward, after S4/HANA migration last quarter, a basket of new generation digital enablement from the closet of the “e-Wings” program of your company was rolled out during the quarter.

1. Cash Management System (CMS)

The CMS portal for touch-less collections went live from Jan'20. This is yet another landmark launch one-of-its-kind by OEL, which is integrated with the bank and ERP. wherein the Dealers can opt for their payment through this portal and have visibility of their accounts and transparency in the transactions.

2. Customer Onboarding workflow

OEL has implemented the Customer On-boarding Portal, pan-India for all businesses since Jan'20. This portal, available on a mobility platform, is a leading initiative wherein customer is on-boarded completely digitally including the dealer agreement and sign-up for speedy customer on-boarding, eliminating voluminous paperwork and rigid control over KYC documents. This is end-to-end touch-less.

3. Vendor Onboarding workflow

OEL launched the Vendor On-boarding Portal from Feb'20. The Vendor portal has been made an online one-stop shop for the entire vendor on-boarding process replacing the tedious manual process, which now happens paperless and touchless, in speed and flexibility with online documentation & KYC, authorisation levels, tracking and trailing for audit purposes.

4. Management approval workflow

The digital Approval Workflow was rolled out during the quarter in making internal approval process quicker, easier, faster, paperless, and absolutely seamless. This workflow helps to keep a track of any proposal, maintain a repository of all approvals already done thereby satisfying the audit trail.

5. Digital generation of e-way bill

A milestone in the OEL Digitization journey that got rolled out in May'20 was the “Digital Generation of E-way bill”. This will pave way for seamless digital enablement of the invoicing and despatch process of the company, integrated with the GST portal.



Orient Electric receives the GPTW certification

With increasing employee engagement, and an ever-engaging open and transparent culture, the employees at OEL shared their opinions enthusiastically with a 94% participation in the Great Place to Work survey conducted in the third quarter of the fiscal. Based on the survey result and after multiple level of scrutiny and audit, OEL was awarded and certified as **Great Place to Work®** in February 2020.



Covid-19: Resilience and response

Shut down: In response to this rising crisis and regulatory pronouncements, the Company had temporarily shut down all its plants based out of Faridabad, Noida and Kolkata and all its depots across the country since 23rd Mar'20 and with the permission of local authorities, reopened activities gradually during mid-May'20. Resultantly, for around 7 weeks, every touchpoint of the channels, logistics and sourcing were shut down. Under the circumstances, the business of OEL has got adversely affected since the closing month of the quarter and year ended 31st Mar'20.

People first: Your company always places the health and well-being of people as its topmost business agenda. The company quickly formulated a "Covid Response Team" involving all locations. During the entire lockdown period, 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 a one-time temporary deferment of payments and cost reduction. Apart from all preventive measures undertaken, the company had in response to this rising contagious risk, swiftly ramped up its infrastructure backend and voluntarily closed its Head Office at Okhla from 20th Mar'20 enabling "Work from Home". OEL paid full wages to all contract workmen during the lockdown period.

Socially responsible: Your company contributed Rs. 3 cr. To the PM CARES FUND to support the society at large.

Business resumption: 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. Production restart will be strictly based on inventory clearance and business requirements and hence operations may continue at sub-optimal levels. 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 still continue to remain as top priorities for sustainable future growth of business.

Readiness: OEL has adopted and put in place every possible preventive and protective measures as advised by the Govt. and local authorities, including sanitisation of premises with required kits and consumables, ensuring sanitisation of all staff and workers entry, thermal screening, distancing at all

places of work, mandatory download of Arogya Setu app, restriction for official travel, selective and minimum deployment of workmen, restriction of staff attendance at office and encouraging work from home for office staff. During the lockdown period our call centre operations continued unhindered, with the restrictions in place the customer doorstep service call closures however were impacted. Even in these strenuous conditions our Service team provided remote support through video calling to attend and fix customer concerns, wherever possible. The Covid Response Team is keeping a close vigilance on all operations reopening at all locations on a daily basis and ensuring full compliance of measures. Currently, there is minimum or nil utilisation of capacity at each plant which will be gradually scaled up depending on business demand.

Implications: However, with infected cases going up at faster pace nationally and globally, the uncertainty of the situation looms large. At the time of this report going to press, your company has taken cognizance of the current volatile and unpredictable situation on date and its likely implications, as is best known from available sources. Based on scenarios considered at this point of time, your company estimates to generate cash by end of the year and regain business growth going forward. Therefore, the company does not anticipate any material impact in the recoverability of the carrying value of assets such as receivables, Inventory and fixed assets as at the balance sheet date. Since the business recovery is absolutely unknown and uncontrollable at this juncture, and also dependant on future Govt. directives and health advisories, the company has resorted to several mitigating actions on the costs with an endeavour to protect the bottom line. However, the future implications of the pandemic to the people and economy that is not known as of now, will be closely tracked by the company to assess for any material implication and adjustment to the carrying value of assets, if any.

Opportunities: As more and more people become home bound to mitigate health risks, consumer behaviour is likely to change and the entire Home appliances product line of the company may actually turn out to be essential home products rather than discretionary. At the same time, cost conscious consumers look upon differentiated products to satisfy their home comfort needs. Covid-19 also could open-up opportunities for indigenisation and newer overseas geographies for exports. The company is assessing these opportunities to reset and further strengthen the strategies of innovation, digitisation, servicing, geography expansion and capacity enhancement, that the company was already working on.

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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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