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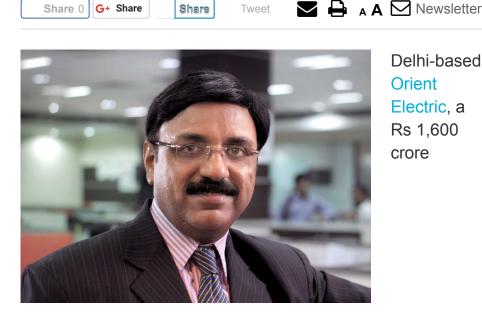
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# We plan to double our market share in 4 years: Puneet Dhawan, Senior VP and Business Head-Lighting, **Orient Electric**

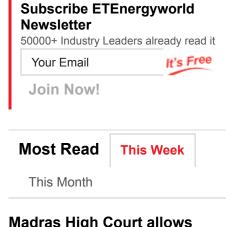
"Our aim is to expand the manufacturing capacity for both LED segments -- electronic drivers and assembly part of the LED bulbs"

Ankush Kumar | ETEnergyWorld | August 14, 2018, 12:29 IST

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Delhi-based Orient Electric, a Rs 1,600 crore



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manufacturer of fans, lights, home appliances and electrical

switchgears, is planning a foray into the international market beginning with Africa and Middle East in the next two years. In an exclusive interview with ETEnergyWorld, Senior Vice-President and Business Head of Lighting Division at the CK Birla Group company shares a perspective on the latest trends in the LED market and the company's larger expansion plans. Edited excerpts:

#### How has the LED market in India grown over the years? What has been the company's experience?

The current LED market in India is mostly driven by local companies. Initially, low entry barriers had allowed many companies to enter this segment but that situation is now changing in favour of serious lighting industry-centric players. With continuing imports and increased capacities, margins are likely to be under pressure for the LED industry. LED technology has longer life as compared to conventional light sources and thus once the first life cycle completion happens, growth might pick up. We decided to stop the manufacturing of conventional CFLs around two-and-a-half years back and shifted our assembly lines completely to LED bulbs and now 90 per cent of our turnover comes from LED-based products. At overall industry level, conventional lighting still accounts for around 30 per cent of the total lighting. In fact, we are working towards becoming a 100 per cent LED-based lighting company in near future.

#### What triggered the decision to shift towards LEDs?

We noticed several trends. The government's strategy and spending in the LED sector was one of the key triggers for us to take this early call. Projects like Ujala and Street Light National Programme were the major enablers for us that helped us to switch very quickly from CFL to LED. We started with the government's Ujala plan for LED bulbs, where we picked up orders of around 1.25 crore lamps to be supplied across India. The Street Light National Programme is about changing from conventional to LED street lights and so far, the government has changed 6.4 million street lights all over India. We participated in this programme and put our in-house GE's Baker Hughes wins contrac...

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production and assembly unit for LED street lights. Also, the industry saw a constant cost reduction in LEDs with the evolution of the technology. So, the private sector also started considering the payback period, which had come down from five years to presently less than one year in terms of investment into LED.

### What is the share of government orders in the total business of the company currently?

Around one-third of our total revenue in lighting business comes from the government. Initially, we entered the government segment in a big way and later as we stabilized we focused more on the trade or consumer segment. In bulbs, we exited from the government segment as it became commoditised and consequently margins got reduced considerably. Currently, around a half of our street lighting business comes from the government.

#### What is your strategy for the non-government part of the orders or business?

There are big users of light settings in sectors like hospitals, banks, IT industries etc. We are focusing on these few sectors where there is a big population of light fixtures required for day-to-day working and about 80 per cent of these users are still using the old CFL or FTLs. We are trying to get into a formal contract with them for all-India requirements. We are asking them to give us volumes so as to supply them with competitive LED solutions, which can be put in the existing fixtures and also used as new LED installations.

These three sectors -- IT, banking and health care -- will offer a value of approximately Rs 150 to 200 crore per annum over the next three years. There could be many more such sectors where we have not gone yet. The annual business opportunity could thus very well run into Rs 400-500 crore per year just by retrofitting the conventional lights with LED-based lights. Around 70-80 per cent energy will be saved through these changes. Also, the life of the light source will be three to four times more than the comparable conventional lighting

thus saving a lot on maintenance costs.

## What is the cost differential for consumers when they switch from conventional to LED light sources?

The cost difference for LED tube is around 2-2.5 times. So, consumers might have to spend a little more initially but with power consumption and the extended life, within three to six months they recoup the cost. After that, they save every month for the whole life of the LED which is around three to five years. Typically, consumers recover the extra cost within three to six months. For bulbs, the price of LED bulbs has already become equal to comparable CFL and consumer has the additional gains in terms of lower power consumption and longer life.

# What is Orient Electric's market share in the lighting industry at present? How do you see that growing over the next four to five years?

Total LED lighting industry in India is estimated to be around Rs 9,000 crore and the consumer segment accounts for almost 40 per cent of this. We currently have around 10 per cent market share in this segment. It is significant to note that we are around eight-years-old in lighting business while most our competitors have presence of 30-50 years in Indian lighting Industry. Four years ago, we were almost nonexistent in industry but after converting to LEDs we have reached double-digit market share in the LED bulbs business. We have a strategy to double our market share in the next four years and be one of the front-runners in the LED business. We have two manufacturing units. So, our aim is to expand the manufacturing capacity for both LED segments -electronic drivers and assembly part of the LED bulbs. We want to become one of the biggest players in LED bulbs and consumer luminaires in India. We are also expanding our global footprint starting with Africa and the Middle East markets in the coming one to two years, and we are making our products ready for these markets.

## What is the size of Orient Electric's manufacturing capacity at present? What have been the key highlights

#### in terms of major orders over the past year or so?

Our manufacturing capacity currently stands at around three million lamps per month and we plan to increase it to eight million over the next four years. Also, we have capacity to manufacture more than 1.5 lakh LED luminaires of various types including streetlights. There is regular demand from various tenders from private and government sector, especially EESL. They have done around 45 per cent of total planned street lighting changes. So, the market still looks exciting for street lights for the next two to three years and by that time the old replacement cycles will also start. The domestic LED industry is growing at a CAGR of around 20-25 per cent, which is likely to continue for another two to three years. We have recently bagged a big contract in Jaipur to convert the conventional lights into the LED street lights. We are also working with oil marketing companies. They are also big users of flood light settings especially for their oil depots and other refinery installations. Power plants is another big area. All the power plants of NTPC, NHPC are lit with the old conventional bulbs and they are in the process of changing that. So, we are addressing that market as well. This includes Indian Oil Corporation, BPCL, HPCL, various power plants of NTPC, ONGC offices, NHPC, Gas Authority of India. All these government PSUs are big spenders on lighting.

#### How is the overall LED market getting disrupted with new innovations in this space?

LED technology is providing the way for innovations. Every three to six months we are getting an upgrade of the LED source. The output per unit of watt is going up. We can have a lower wattage source giving much more light. The government has made three-star rating by Bureau of Energy Efficiency (BEE) mandatory for LED bulbs and also notified standards for five-star rating though it is not yet mandatory for manufacturers and sellers of LED bulbs. Two years ago, Orient Electric was the first company to introduce three-star rated LED bulbs. We are also the first Indian company to be get the five-star rating from BEE for 9W LED bulbs.

## How do you think the Ujala Scheme has impacted the

#### overall lighting industry?

I think Ujala paved the way for Indian LED manufacturers. The scheme showed them the immense market opportunity and volumes, which helped in bringing down the overall cost. So, ultimately consumer is the winner. Currently, the cost of an LED bulb is cheaper than or is at least equivalent to the cost of CFL. A 9W LED bulb is equal to a 15W CFL in terms of light output and as per Ujala programme price it is more than 20 per cent cheaper than 15W CFL for the consumer. So, the government showed the volume and with that came down the cost. Also, this program helped to enhance the technical specifications of the bulbs to highest levels which then accelerated the LED journey for Indian manufacturers.

