

India

**ADD** (no change)

Consensus ratings*: Buy 12 Hold 5 Sell 1	
Current price:	Rs274
Target price: ▲	Rs314
Previous target:	Rs269
Up/downside:	14.6%
InCred Research / Consensus:	20.5%
Reuters:	ONTE.NS
Bloomberg:	ORIENTEL IN
Market cap:	US\$806m
	Rs58,526m
Average daily turnover:	US\$2.0m
	Rs142.1m
Current shares o/s:	213.4m
Free float:	61.7%
*Source: Bloomberg	

**Key changes in this note**

- Cut revenue estimates by 1% each for FY25F and FY26F.
- Cut EBITDA/PAT by 21%/31% for FY25F and 12%/23% for FY26F.

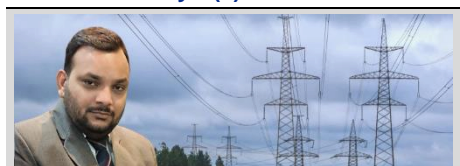


Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	0.0	21.4	19.0
Relative (%)	(1.2)	10.7	(3.4)

<b>Major shareholders</b>	% held
Promoters	38.3
ICICI Prudential Large & Mid Cap	7.7
Mirae Asset Multicap Fund	5.0

**Research Analyst(s)**



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# Orient Electric

## Muted sales growth despite a harsh summer

- 1Q EBITDA came in at Rs401m, down 9% YoY, 13% below our estimate & 9% below the consensus estimate. EBITDA margin was down 93bp YoY at 5.3%.
- Consumer lighting in the B2C segment witnessed high-teen volume growth. It also gained market share in ceiling fans.
- We retain ADD rating on the stock with a higher target price of Rs314 (from Rs269 earlier), valuing it at 42x Sep 2026F EPS.

### Revenue growth overshadowed by other expenses

Orient Electric's 1QFY25 revenue grew 7% YoY (-4% QoQ) to Rs7.5bn, 5% below our estimate and 4% below Bloomberg or BB consensus estimate. The ECD segment's revenue was up 6% YoY at Rs5.4bn while the lighting and switchgear segment grew 10% YoY to Rs2.1bn. International business was sluggish due to geopolitical challenges in key markets. Overall gross margin improved by 249bp YoY due to price hikes and cost-saving initiatives. EBITDA came in at Rs401m, down 9% YoY (+30% QoQ), 13% below our estimate and 9% below BB consensus estimate. The EBITDA margin was down 93bp YoY at 5.3% (+140bp QoQ). Margin was impacted due to higher other expenses (up 27% YoY). PAT declined by 27% YoY (+12% QoQ) to Rs143m, ~32% below our estimate and 29% below BB consensus estimate. The greenfield plant at Hyderabad started commercial production from 6 May 2024, with TPW Lines.

### Lighting business is on track; improvement expected in fans

Due to the heatwave in several parts of India, the company witnessed a seasonal sell-out. Consumer lighting in the B2C segment witnessed high-teen volume growth. The DTM strategy led to a 23% growth in the fan category, with a direct service network now covering 16 states, contributing 30% to total revenue from fans. E-commerce channels, especially in the cooling category, reported high double-digit growth, and the company strengthened its presence in large format retail. The lighting business also witnessed high double-digit volume growth, with the B2B segment performing strongly.

### Retain ADD rating with a higher target price of Rs314

While the company witnessed a weak 1Q affected by higher expenses and lower profitability, it posted good volume growth across the lighting business. It expanded to Himachal Pradesh, and Jammu & Kashmir in 1QFY25 while keeping the focus on South India, which continues maintaining its higher share of revenue. Orient Electric saw the highest cooler sell-out via digital channels with a high double-digit growth. It also gained market share in ceiling fans. We have cut revenue estimates by 1% each for FY25F and FY26F. We have cut EBITDA/PAT by 21%/31% for FY25F and 12%/23% for FY26F. We introduce FY27F numbers, expecting revenue/EBITDA/PAT CAGR of 13%/34%/33%, respectively. We have retained ADD rating on the stock with a higher target price of Rs 314 (from Rs269 earlier), valuing it at 42x Sep 2026F EPS. Downside risks: Delay in capex, and muted exports.

<b>Financial Summary</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue (Rsm)	25,292	28,121	31,643	35,712	40,443
Operating EBITDA (Rsm)	1,510	1,443	2,157	2,967	3,455
Net Profit (Rsm)	758	753	948	1,433	1,753
Core EPS (Rs)	3.6	2.9	4.4	6.7	8.2
Core EPS Growth	(40.1%)	(20.2%)	55.9%	51.1%	22.3%
FD Core P/E (x)	76.75	77.55	61.74	40.85	33.39
DPS (Rs)	2.0	1.5	1.8	2.5	3.0
Dividend Yield	0.73%	0.55%	0.64%	0.91%	1.09%
EV/EBITDA (x)	37.53	40.13	26.73	19.18	16.20
P/FCFE (x)	97.92	(93.59)	168.45	51.60	40.51
Net Gearing	(26.4%)	(7.1%)	(12.6%)	(20.5%)	(28.4%)
P/BV (x)	9.96	9.14	8.40	7.44	6.52
ROE	13.5%	9.9%	14.2%	19.3%	20.8%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 1QFY25 conference-call highlights

- **Muted growth:** Orient Electric reported a muted 7% sales growth YoY while higher other expenses and weak international business led to a fall in profitability. During the quarter, the company focused on distribution expansion with sharp sales execution, resulting in market share gains in direct to market (DTM) states. Summer season products, especially ceiling fans and coolers, witnessed robust demand amid the heatwave in several parts of India, resulting in a strong seasonal sell-out. Meanwhile, consumer lighting in the B2C segment witnessed high-teens volume growth.
- **DTM witnessed higher growth:** The DTM strategy witnessed a significant growth of 23% in the fan category. The expansion was complemented by a direct service network now covering 16 states, enhancing service quality and consumer affinity. Management stated that ~30% of total revenue from fans comes from these regions. The company would continue to evaluate opportunities for expansion in a hybrid model - balancing direct and distributor-led approaches.
- **Double digit growth in e-commerce and lighting segment:** The company reported high double-digit growth in e-commerce channels, particularly in the cooling category, and continued to strengthen its presence in large format retail. The lighting business posted high double-digit volume growth with wide price erosion. The B2B segment also showed a strong performance. Overall gross margin improved by 249bp YoY due to a combination of price hikes and cost-saving initiatives.
- **Pricing:** The company implemented price hikes in the fan category, averaging between 3-3.5%. Management is confident about the company's strategic pillars, emphasizing the importance of leveraging past investments to drive performance. There are some capacity constraints, particularly in the TPW category.
- The Spark Sanchay program, which has consistently delivered around 2% annualized cost reduction (~Rs130m), led to an improved gross margin. Management also indicated that consulting costs relating to McKinsey & Co would cease from 2QFY25F, further benefiting the bottom line.
- The company would continue to focus on enhancing its organizational capabilities and manufacturing efficiency, particularly at the new Hyderabad plant. The greenfield plant at Hyderabad started commercial production on 6 May 2024, with TPW Lines.

**Figure 1: Quarterly results snapshot**

Y/E Mar (Rs m)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)
<b>Net Sales</b>	<b>7,549</b>	<b>7,056</b>	<b>7.0%</b>	<b>7,877</b>	<b>-4.2%</b>
Net raw material costs	5,047	4,893	3.1%	5,453	-7.4%
Staff costs	770	671	14.7%	699	10.1%
Other expenditure	1,332	1,052	26.5%	1,418	-6.1%
Total expenditure	7,148	6,616	8.0%	7,569	-5.6%
<b>EBITDA</b>	<b>401</b>	<b>440</b>	<b>-8.9%</b>	<b>307</b>	<b>30.3%</b>
<b>EBITDA margin (%)</b>	<b>5.3%</b>	<b>6.2%</b>	<b>-93 bps</b>	<b>3.9%</b>	<b>140 bps</b>
Depreciation	175	143	22.5%	155	13.3%
EBIT	225	297	-24.1%	153	47.6%
Interest expenses	57	59	-3.4%	68	-15.9%
Other recurring income	25	29	-13.6%	50	-51.0%
PBT	193	266	-27.6%	135	42.8%
Tax - Current	60	87	-30.7%	64	-6.4%
Tax - Deferred	-11	-18	-38.2%	-57	-80.8%
Reported PAT	143	197	-27.2%	128	12.0%
<b>Adjusted PAT</b>	<b>143</b>	<b>197</b>	<b>-27.2%</b>	<b>128</b>	<b>12.0%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Margin and cost analysis**

Margins	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)
Gross margin	33.1%	30.7%	249 bp	30.8%	237 bp
EBITDA	5.3%	6.2%	-93 bp	3.9%	140 bp
EBIT	3.0%	4.2%	-122 bp	1.9%	105 bp
Adjusted PATAMI	1.9%	2.8%	-89 bp	1.6%	27 bp
Cost Analysis	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)
Net raw material costs	66.9%	69.3%	-249 bp	69.2%	-237 bp
Staff costs	10.2%	9.5%	69 bp	8.9%	132 bp
Other expenditure	17.6%	14.9%	273 bp	18.0%	-36 bp
<b>Total</b>	<b>94.7%</b>	<b>93.8%</b>	<b>93 bp</b>	<b>96.1%</b>	<b>-140 bp</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Segment-wise revenue and EBIT**

Segmental Details	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)
Revenue (Rs m)					
Electrical consumer durables	5,449	5,150	5.8%	5,691	-4.3%
Lighting & switchgear	2,100	1,906	10.2%	2,186	-3.9%
<b>Total</b>	<b>7,549</b>	<b>7,056</b>	<b>7.0%</b>	<b>7,877</b>	<b>-4.2%</b>
EBIT (Rs m)					
Electrical consumer durables	494	492	0.5%	465	6.2%
Lighting & switchgear	390	307	26.9%	281	38.8%
<b>Total</b>	<b>884</b>	<b>799</b>	<b>10.7%</b>	<b>746</b>	<b>18.5%</b>
EBIT margin (%)					
Electrical consumer durables	9.1%	9.5%	-48 bp	8.2%	90 bp
Lighting & switchgear	18.6%	16.1%	245 bp	12.8%	572 bp
<b>Total</b>	<b>11.7%</b>	<b>11.3%</b>	<b>39 bp</b>	<b>9.5%</b>	<b>224 bp</b>

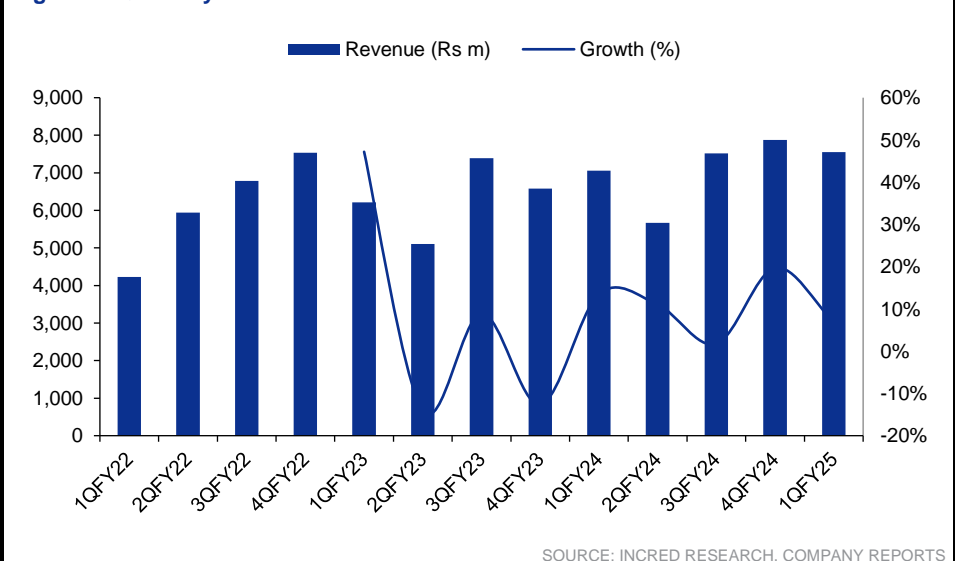
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Actuals vs estimates**

Actuals vs InCred estimates				
Rs m	1QFY25	1QFY25F	Var (%)	
Revenue	7,549	7,962	-5.2%	
EBITDA	401	462	-13.3%	
EBITDA margin (%)	5.3%	5.8%	-49 bps	
Adj. PAT	143	211	-31.9%	
Actuals vs Consensus estimates				
Rs m	1QFY25	4QFY24C	Var (%)	
Revenue	7,549	7,873	-4.1%	
EBITDA	401	440	-8.9%	
EBITDA margin (%)	5.3%	5.6%	-28 bps	
Adj. PAT	143	201	-28.7%	

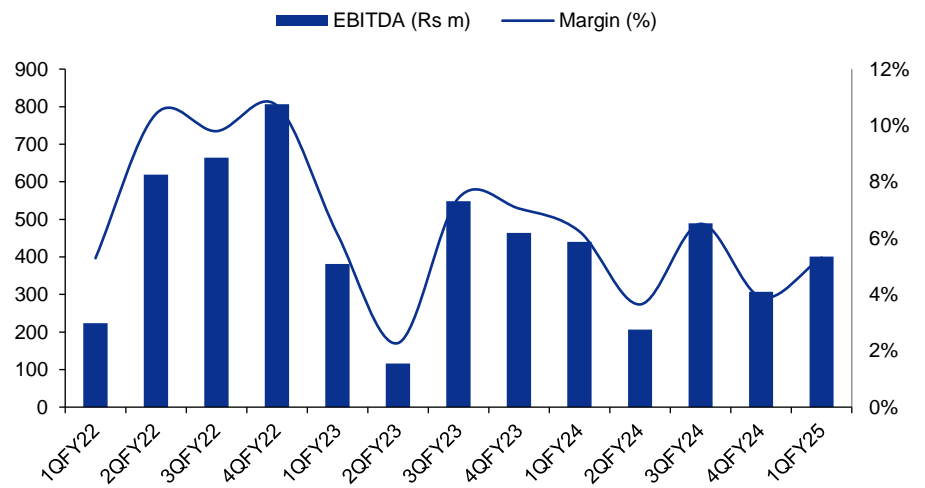
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Quarterly revenue trend**



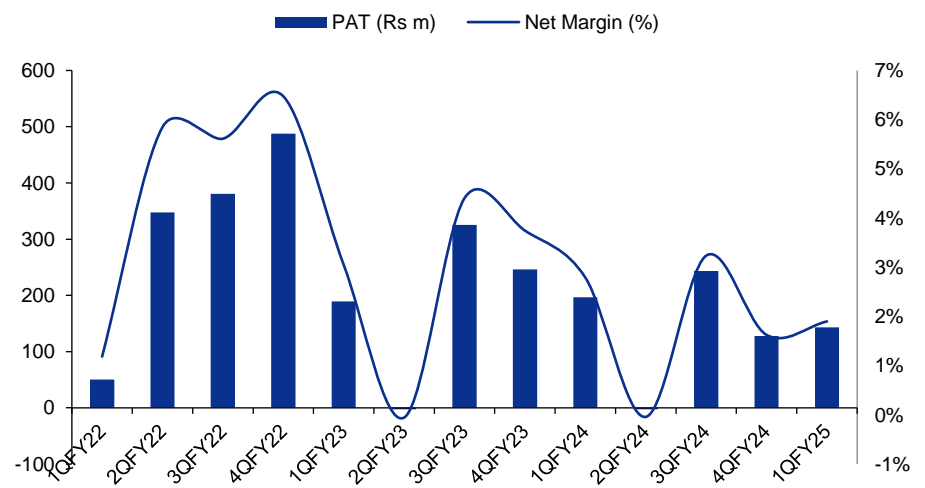
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly EBITDA trend



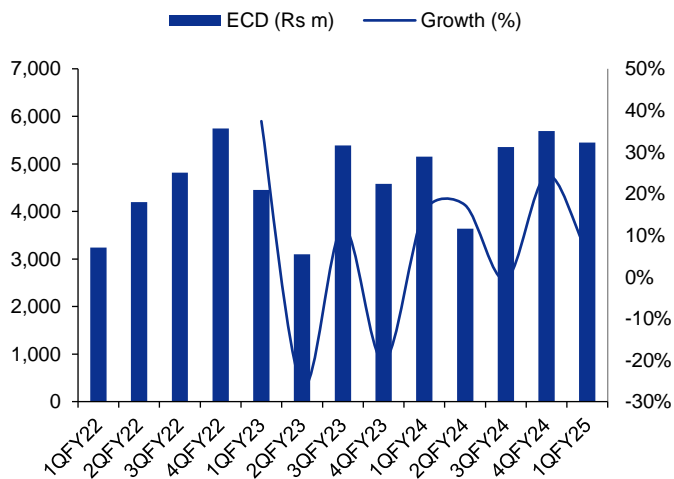
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: PAT and net margin trend



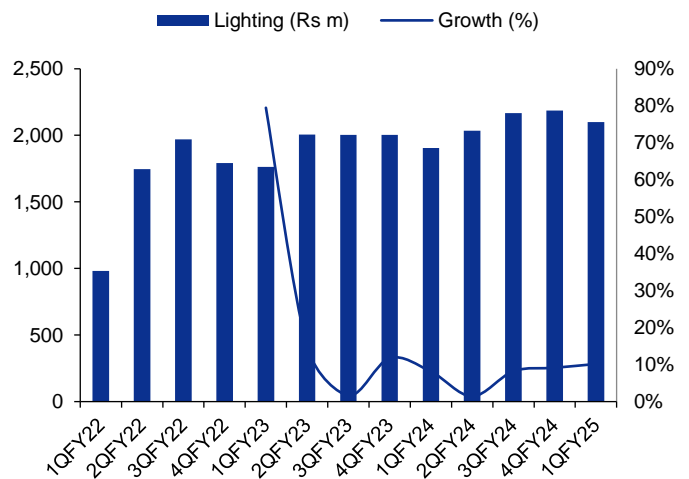
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Quarterly ECD revenue trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Quarterly lighting business revenue trend



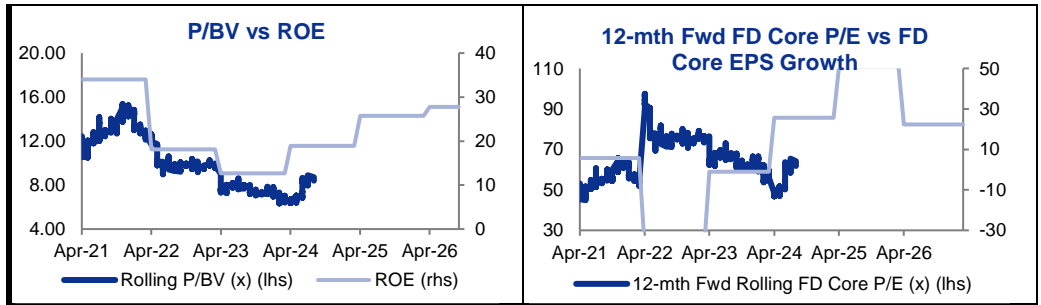
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 10: Earnings revision summary**

	New Estimates		Old Estimates		Change (%)		Introduced
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY27F
Revenue	31,643	35,712	32,059	36,179	-1.3	-1.3	40,443
EBITDA	2,157	2,967	2,725	3,383	-20.9	-12.3	3,455
Adj PAT	948	1,433	1,370	1,856	-30.8	-22.8	1,753

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>25,292</b>	<b>28,121</b>	<b>31,643</b>	<b>35,712</b>	<b>40,443</b>
<b>Gross Profit</b>	<b>7,050</b>	<b>8,551</b>	<b>9,809</b>	<b>11,428</b>	<b>12,892</b>
<b>Operating EBITDA</b>	<b>1,510</b>	<b>1,443</b>	<b>2,157</b>	<b>2,967</b>	<b>3,455</b>
Depreciation And Amortisation	(535)	(590)	(716)	(898)	(981)
<b>Operating EBIT</b>	<b>975</b>	<b>853</b>	<b>1,441</b>	<b>2,068</b>	<b>2,474</b>
Financial Income/(Expense)	(171)	(160)	(271)	(267)	(262)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	215	82	95	109	125
<b>Profit Before Tax (pre-EI)</b>	<b>1,019</b>	<b>776</b>	<b>1,264</b>	<b>1,910</b>	<b>2,337</b>
Exceptional Items		187			
<b>Pre-tax Profit</b>	<b>1,019</b>	<b>963</b>	<b>1,264</b>	<b>1,910</b>	<b>2,337</b>
Taxation	(261)	(210)	(316)	(478)	(584)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>758</b>	<b>753</b>	<b>948</b>	<b>1,433</b>	<b>1,753</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>758</b>	<b>753</b>	<b>948</b>	<b>1,433</b>	<b>1,753</b>
Recurring Net Profit	758	607	948	1,433	1,753
<b>Fully Diluted Recurring Net Profit</b>	<b>758</b>	<b>607</b>	<b>948</b>	<b>1,433</b>	<b>1,753</b>

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>1,510</b>	<b>1,443</b>	<b>2,157</b>	<b>2,967</b>	<b>3,455</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	567	(443)	(228)	(264)	(307)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	196	206	(446)	(462)	(480)
Net Interest (Paid)/Received	(27)	33	271	267	262
Tax Paid	(349)	(57)	(316)	(478)	(584)
<b>Cashflow From Operations</b>	<b>1,897</b>	<b>1,183</b>	<b>1,438</b>	<b>2,031</b>	<b>2,345</b>
Capex	(1,139)	(1,400)	(675)	(493)	(512)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(56)	(376)	(500)	(500)	(500)
Other Investing Cashflow	95	70	84	97	111
<b>Cash Flow From Investing</b>	<b>(1,099)</b>	<b>(1,705)</b>	<b>(1,091)</b>	<b>(896)</b>	<b>(901)</b>
Debt Raised/(repaid)	(203)	(100)			
Proceeds From Issue Of Shares	1	1			
Shares Repurchased					
Dividends Paid	(425)	(320)	(373)	(534)	(640)
Preferred Dividends					
Other Financing Cashflow	(34)	(37)	(355)	(364)	(373)
<b>Cash Flow From Financing</b>	<b>(661)</b>	<b>(457)</b>	<b>(729)</b>	<b>(897)</b>	<b>(1,013)</b>
Total Cash Generated	137	(980)	(382)	237	431
<b>Free Cashflow To Equity</b>	<b>594</b>	<b>(623)</b>	<b>347</b>	<b>1,134</b>	<b>1,445</b>
<b>Free Cashflow To Firm</b>	<b>710</b>	<b>(629)</b>	<b>(8)</b>	<b>771</b>	<b>1,072</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	1,642	663	1,086	1,824	2,755
Total Debtors	3,560	4,620	5,198	5,867	6,644
Inventories	2,846	3,151	3,545	4,001	4,531
Total Other Current Assets	647	761	856	966	1,094
<b>Total Current Assets</b>	<b>8,696</b>	<b>9,194</b>	<b>10,686</b>	<b>12,658</b>	<b>15,024</b>
Fixed Assets	1,455	1,537	3,652	3,550	3,425
Total Investments					
Intangible Assets					
Total Other Non-Current Assets	2,495	3,778	1,585	1,585	1,585
<b>Total Non-current Assets</b>	<b>3,951</b>	<b>5,316</b>	<b>5,237</b>	<b>5,135</b>	<b>5,010</b>
Short-term Debt	101	209	209	209	209
Current Portion of Long-Term Debt					
Total Creditors	4,530	5,439	6,120	6,907	7,822
Other Current Liabilities	1,000	1,269	1,428	1,612	1,825
<b>Total Current Liabilities</b>	<b>5,631</b>	<b>6,917</b>	<b>7,757</b>	<b>8,728</b>	<b>9,856</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,169	1,202	1,202	1,202	1,202
<b>Total Non-current Liabilities</b>	<b>1,169</b>	<b>1,202</b>	<b>1,202</b>	<b>1,202</b>	<b>1,202</b>
Total Provisions					
<b>Total Liabilities</b>	<b>6,800</b>	<b>8,119</b>	<b>8,959</b>	<b>9,930</b>	<b>11,058</b>
Shareholders Equity	5,846	6,389	6,964	7,863	8,976
Minority Interests					
<b>Total Equity</b>	<b>5,846</b>	<b>6,389</b>	<b>6,964</b>	<b>7,863</b>	<b>8,976</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	3.3%	11.2%	12.5%	12.9%	13.2%
Operating EBITDA Growth	(34.7%)	(4.4%)	49.4%	37.6%	16.5%
Operating EBITDA Margin	6.0%	5.1%	6.8%	8.3%	8.5%
Net Cash Per Share (Rs)	7.26	2.14	4.11	7.57	11.94
BVPS (Rs)	27.55	30.03	32.64	36.85	42.07
Gross Interest Cover	4.40	3.67	4.05	5.69	6.63
Effective Tax Rate	25.6%	21.8%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	41.7%	41.3%	29.5%	27.9%	27.4%
Accounts Receivables Days	53.85	53.08	56.62	56.54	56.45
Inventory Days	61.10	55.93	55.97	56.71	56.52
Accounts Payables Days	90.28	92.96	96.62	97.91	97.57
ROIC (%)	21.2%	15.6%	20.2%	28.4%	33.2%
ROCE (%)	17.8%	14.8%	22.1%	28.4%	30.0%
Return On Average Assets	9.7%	6.9%	10.1%	12.9%	13.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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