

India

ADD (no change)

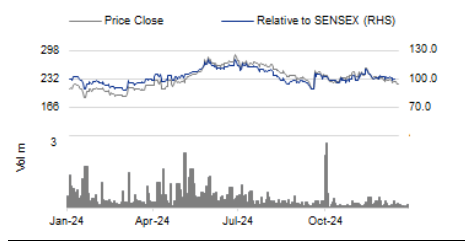
Consensus ratings*: Buy 13 Hold 4 Sell 1

Current price:	Rs220
Target price:	Rs330 ▲
Previous target:	Rs314
Up/downside:	50.0%
InCred Research / Consensus:	21.1%
Reuters:	ONTE.NS
Bloomberg:	ORIENTEL IN
Market cap:	US\$542m
	Rs46,919m
Average daily turnover:	US\$0.9m
	Rs77.5m
Current shares o/s:	213.4m
Free float:	61.7%

*Source: Bloomberg

Key changes in this note

► For FY25F, we lower revenue/PAT estimates by 1%/7%, respectively, while maintaining them for FY26F/27F.

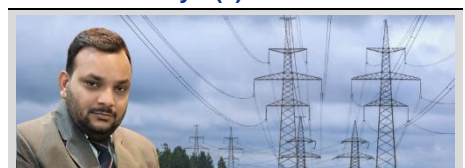


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(10.4)	(10.4)	3.3
Relative (%)	(8.4)	(6.4)	(3.9)

Major shareholders	% held
Promoters	38.3
ICICI Prudential Large & Mid Cap	6.4
Mirae Asset Multicap Fund	4.9

Research Analyst(s)



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Orient Electric

Margin expansion continues

- 3Q EBITDA came in at Rs357m, up 73% YoY, 2% above our estimate and 15% above the BB consensus. The EBITDA margin was up 175bp YoY at 5.4%.
- On the costs front, the Spark Sanchay initiative delivered Rs520m in 9MFY25, reflecting a 13% YoY improvement.
- For FY25F, we have cut revenue/PAT estimates by 1%/7% while retaining them for FY26/27F. We retain our ADD rating with a marginally higher TP of Rs330.

Single-digit revenue growth

Orient Electric's 3QFY25 revenue grew 9% YoY (+24% QoQ) to Rs8.2bn, 4% below our estimate and 5% below the Bloomberg or BB consensus estimate. The ECD segment's revenue was up 7% YoY at Rs5.7bn while the lighting and switchgear segment grew by 12% YoY to Rs2.4bn. The overall gross margin improved by 184bp YoY due to price hikes and cost-saving initiatives. EBITDA came in at Rs612m, up 25% YoY (+5% QoQ), 6% below our estimate and 1% above the BB consensus estimate. The EBITDA margin was up 98bp YoY at 7.5% (+10bp QoQ). PAT came in at Rs272m, up 12% YoY, 6% above our estimate and 12% above the BB consensus estimate.

Expanding direct-to-market presence

Orient Electric continues to expand its direct-to-market (DTM) presence, recently adding West Bengal, and bringing the total DTM states to 11. DTM markets have shown faster growth and higher market share gains than traditional master distributor (MD) markets, although 70% of the fan business revenue still comes from the MD channel. The company is also strengthening its e-commerce presence on platforms like Blinkit and Zepto, leveraging a sell-out strategy to boost market share in fans and heating appliances, with premium product visibility and digital engagement driving online sales. On the costs front, the Spark Sanchay initiative delivered Rs520m in 9MFY25, a 13% YoY improvement. Additionally, the Hyderabad plant has stabilized, and further operating leverage is likely. With gross margin now in the 31%-33% range, driven by premiumization, a better channel mix, & cost efficiency, the company is well-positioned for sustained growth.

Retain our ADD rating on the stock with a slightly higher TP of Rs330

The company posted healthy profitability in 3QFY25 with an improvement in gross margin. It remains optimistic about the growth prospects in the coming quarters, driven by premiumization, product innovation, and expanding distribution channels. The company is likely to sustain its margin expansion trajectory while maintaining a strong market position in fans, lighting products, and appliances. With a strategic focus on premiumization, Orient Electric is optimistic about sustaining its operating leverage and margin improvement in the long run. DTM (direct-to-market) sales posted healthy growth in 3QFY25. For FY25F, we have cut revenue/PAT estimates by 1%/7% while retaining them for FY26F/27F. We retain our ADD rating on the stock with a slightly higher target price of Rs330 (Rs314 earlier), valuing it at 40x FY27F EPS. Downside risks: Delay in capex, and muted exports.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	25,292	28,121	31,270	35,706	40,432
Operating EBITDA (Rsm)	1,510	1,443	2,105	2,965	3,456
Net Profit (Rsm)	758	753	1,071	1,432	1,753
Core EPS (Rs)	3.6	2.9	4.3	6.7	8.2
Core EPS Growth	(40.1%)	(20.2%)	52.2%	54.7%	22.4%
FD Core P/E (x)	61.53	62.17	43.79	32.76	26.77
DPS (Rs)	2.0	1.5	1.8	2.5	3.0
Dividend Yield	0.91%	0.68%	0.80%	1.14%	1.36%
EV/EBITDA (x)	29.89	32.11	21.80	15.24	12.80
P/FCFE (x)	78.50	(75.03)	105.29	45.91	34.78
Net Gearing	(26.4%)	(7.1%)	(14.5%)	(21.8%)	(29.3%)
P/BV (x)	7.98	7.32	6.62	5.88	5.16
ROE	13.5%	9.9%	13.7%	19.0%	20.5%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 conference-call highlights

- **Overview:** The quarter unfolded in three distinct phases: a strong pre-Diwali period in Oct 2024, a slowdown in Nov to mid-Dec 2024, and a recovery in late Dec 2024 due to increased demand for heating products driven by a cold wave in North and East India. Despite macroeconomic challenges, such as slower GDP growth and subdued consumer spending, the company remained optimistic about its future prospects, particularly in the light of early summer demand trends and government infrastructure spending.
- **Margin improvement:** The focus on premiumization has helped mitigate pricing pressure, resulting in a gross margin improvement of 184bp YoY. Operating EBITDA margin rose to 7.5%, a 98bp improvement YoY, supported by a better product mix and operational efficiency.
- **Lighting & switchgear segment:** In the lighting and switchgear segment, Orient Electric achieved 12% YoY growth, despite industry-wide price erosion. The consumer lighting business saw a high double-digit volume growth, driven by expanded distribution and market share gains. The B2B lighting segment also performed well, benefiting from infrastructure projects, though initial delays due to general/assembly elections and monsoons affected execution. The company remains aggressive in expanding its tender business, focusing on street lighting and façade lighting projects.
- **Fan business:** The business saw a significant push towards premiumization. Orient Electric's BLDC and IoT-enabled fans grew by 60% YoY in 3Q, and these now contribute 20% to the overall ceiling fan segment, growing at 25% annually. The premium and decorative fans category represents 30%-31% of the portfolio, with an ambition to increase it to 45%. The company's ongoing Project Orange and Project Spotlight initiatives aim to improve premium fan visibility and consumer engagement, strengthening its position in this segment.
- **Appliances:** In the appliances business, demand was strong during the festive season but slowed afterwards due to a delayed winter. However, heating products picked up steam towards the end of the quarter, supported by the cold wave. The company launched a digital marketing campaign for water heaters, emphasizing faster heating technology and premiumization. The focus on square-shaped storage water heaters has already led to a 300bp improvement in the category mix.
- **Expansion of direct-to-market (DTM) presence:** The company extended DTM operations to West Bengal, bringing the total DTM states to 11. DTM markets are growing faster and gaining more market share than traditional master distributor (MD) markets. Currently, 70% of fan revenue comes from MD markets, while 30% is from DTM.
- **E-commerce growth:** Orient Electric is strengthening its presence on platforms like Blinkit and Zepto. Its sell-out strategy has boosted market share in fans and heating appliances, with premium product visibility and digital consumer engagement driving online sales growth.
- **Cost optimization & margin:** The Spark Sanchay initiative has saved Rs520m in 9MFY25. The Hyderabad plant has stabilized, and further operating leverage is expected. Gross margin stabilized in the 31%-33% range, supported by premiumization, improved channel mix, and cost efficiency. Orient Electric remains optimistic about growth prospects in 4Q and beyond, driven by premiumization, product innovation, and expanding distribution channels. The company is confident of sustaining its margin expansion trajectory while maintaining a strong market position in fans, lighting, and appliances.

Figure 1: Results summary

Y/E Mar (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net Sales	8,168	7,519	8.6%	6,602	23.7%	22,318	20,245	10.2%
Net RM Costs	5,577	5,272	5.8%	4,464	24.9%	15,088	14,117	6.9%
Staff Costs	753	636	18.3%	779	-3.4%	2,301	1,890	21.8%
Other Expenditure	1,227	1,122	9.4%	1,002	22.4%	3,561	3,101	14.8%
Total Expenditure	7,557	7,030	7.5%	6,245	21.0%	20,950	19,109	9.6%
EBITDA	612	489	25.0%	357	71.6%	1,369	1,136	20.5%
EBITDA Margin (%)	7.5%	6.5%	98bp	5.4%	209bp	6.1%	5.6%	52bp
Depreciation	202	150	34.0%	196	2.8%	573	435	31.6%
EBIT	410	339	21.0%	160	155.7%	796	700	13.6%
Interest Expenses	61	54	13.4%	60	1.3%	178	165	8.3%
Other Recurring Income	17	43	-60.5%	42	-59.7%	84	105	-20.5%
Extraordinary Income/(Expenses)	-	-	NA	-	NA	-	187	NA
PBT	366	328	11.6%	142	157.3%	701	828	-15.3%
Tax – Current	105	88	19.0%	24	334.4%	189	224	-15.7%
Tax – Deferred	-10	-3	-	14	-173.9%	-7	-21	-
Reported PAT	272	243	11.7%	104	160.2%	519	625	-16.8%
Adjusted PAT	272	243	11.7%	104	160.2%	519	438	18.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin analysis

Margins	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Gross Margin	31.7%	29.9%	184bp	32.4%	-66bp	32.4%	30.3%	213bp
EBITDA Margin	7.5%	6.5%	98bp	5.4%	209bp	6.1%	5.6%	52bp
Adj. PAT Margin	3.3%	3.2%	9bp	1.6%	174bp	2.3%	2.2%	16bp

Cost Analysis	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net RM Costs	68.3%	70.1%	-184bp	67.6%	66bp	67.6%	69.7%	-213bp
Staff Costs	9.2%	8.5%	75bp	11.8%	-259bp	10.3%	9.3%	98bp
Other Expenditure	15.0%	14.9%	11bp	15.2%	-16bp	16.0%	15.3%	63bp
Total	92.5%	93.5%	-98bp	94.6%	-209bp	93.9%	94.4%	-52bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segmental Analysis

Segmental Details	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue (Rs m)								
Electrical consumer durables	5,743	5,352	7.3%	4,395	30.7%	15,587	14,137	10.3%
Lighting & switchgear	2,425	2,167	11.9%	2,206	9.9%	6,731	6,108	10.2%
Total	8,168	7,519	8.6%	6,602	23.7%	22,318	20,245	10.2%
EBIT (Rs m)								
Electrical consumer durables	643	603	6.7%	389	65.5%	1,526	1,391	9.7%
Lighting & switchgear	322	307	4.9%	300	7.4%	1,011	883	14.5%
Total	965	910	6.1%	688	40.2%	2,537	2,275	11.5%
EBIT margin (%)								
Electrical consumer durables	11.2%	11.3%	-7bp	8.8%	236bp	9.8%	9.8%	-5bp
Lighting & Switchgear	13.3%	14.2%	-89bp	13.6%	-31bp	15.0%	14.5%	56bp
Total	11.8%	12.1%	-29bp	10.4%	139bp	11.4%	11.2%	13bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actual versus estimates

Actuals versus estimates			
Rs m	3QFY25	3QFY25F	Var (%)
Revenue	8,168	8,527	-4.2%
EBITDA	612	647	-5.5%
EBITDA margin (%)	7.5%	7.6%	-10bp
Adj. PAT	272	256	6.2%

Actuals Vs Consensus			
Rs m	3QFY25	3QFY25C	Var (%)
Revenue	8,168	8,609	-5.1%
EBITDA	612	604	1.3%
EBITDA margin (%)	7.5%	7.0%	48bp
Adj. PAT	272	243	11.8%

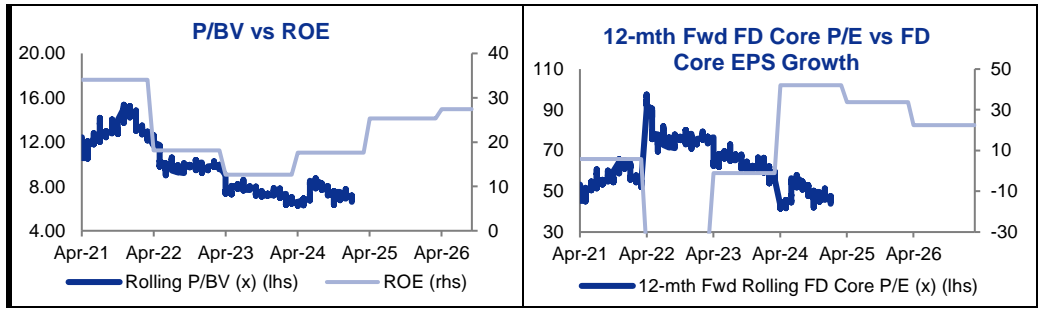
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Earnings revision summary

	New Estimates			Old Estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	31,270	35,706	40,432	31,629	35,699	40,442	-1.1%	0.0%	0.0%
EBITDA	2,106	2,965	3,456	2,158	2,966	3,455	-2.4%	0.0%	0.0%
Adj. PAT	885	1,432	1,753	947	1,432	1,753	-6.6%	0.0%	0.0%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	25,292	28,121	31,270	35,706	40,432
Gross Profit	7,050	8,551	10,085	11,426	12,888
Operating EBITDA	1,510	1,443	2,105	2,965	3,456
Depreciation And Amortisation	(535)	(590)	(777)	(898)	(981)
Operating EBIT	975	853	1,329	2,067	2,475
Financial Income/(Expense)	(171)	(160)	(158)	(175)	(156)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	215	82	17	20	24
Profit Before Tax (pre-EI)	1,019	776	1,188	1,912	2,344
Exceptional Items		187	187		
Pre-tax Profit	1,019	963	1,375	1,912	2,344
Taxation	(261)	(210)	(303)	(480)	(591)
Exceptional Income - post-tax					
Profit After Tax	758	753	1,071	1,432	1,753
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	758	753	1,071	1,432	1,753
Recurring Net Profit	758	607	926	1,432	1,753
Fully Diluted Recurring Net Profit	758	607	926	1,432	1,753

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	1,510	1,443	2,105	2,965	3,456
Cash Flow from Invt. & Assoc.					
Change In Working Capital	567	(443)	(204)	(288)	(306)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	196	206	(220)	(458)	(475)
Net Interest (Paid)/Received	(27)	33	158	175	156
Tax Paid	(349)	(57)	(303)	(480)	(591)
Cashflow From Operations	1,897	1,183	1,536	1,914	2,240
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	101	121
Cash Flow From Investing	(1,099)	(1,705)	(1,091)	(892)	(891)
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)	(242)	(276)	(277)
Cash Flow From Financing	(661)	(457)	(615)	(809)	(917)
Total Cash Generated	137	(980)	(170)	213	432
Free Cashflow To Equity	594	(623)	445	1,022	1,349
Free Cashflow To Firm	710	(629)	203	746	1,072

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	1,642	663	1,234	1,947	2,879
Total Debtors	3,560	4,620	5,137	5,866	6,642
Inventories	2,846	3,151	3,503	4,000	4,530
Total Other Current Assets	647	761	846	966	1,094
Total Current Assets	8,696	9,194	10,720	12,779	15,145
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
Total Non-current Assets	3,951	5,316	5,237	5,135	5,010
Short-term Debt	101	209	209	209	209
Current Portion of Long-Term Debt					
Total Creditors	4,530	5,439	6,048	6,906	7,820
Other Current Liabilities	1,000	1,269	1,411	1,611	1,825
Total Current Liabilities	5,631	6,917	7,668	8,726	9,853
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,169	1,202	1,202	1,202	1,202
Total Non-current Liabilities	1,169	1,202	1,202	1,202	1,202
Total Provisions					
Total Liabilities	6,800	8,119	8,870	9,928	11,055
Shareholders Equity	5,846	6,389	7,087	7,986	9,099
Minority Interests					
Total Equity	5,846	6,389	7,087	7,986	9,099

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	3.3%	11.2%	11.2%	14.2%	13.2%
Operating EBITDA Growth	(34.7%)	(4.4%)	45.9%	40.8%	16.6%
Operating EBITDA Margin	6.0%	5.1%	6.7%	8.3%	8.5%
Net Cash Per Share (Rs)	7.26	2.14	4.81	8.15	12.51
BVPS (Rs)	27.55	30.03	33.22	37.43	42.64
Gross Interest Cover	4.40	3.67	5.49	7.49	8.93
Effective Tax Rate	25.6%	21.8%	22.1%	25.1%	25.2%
Net Dividend Payout Ratio	41.7%	41.3%	31.4%	27.9%	27.3%
Accounts Receivables Days	53.85	53.08	56.94	56.24	56.46
Inventory Days	61.10	55.93	57.32	56.40	56.52
Accounts Payables Days	90.28	92.96	98.96	97.37	97.57
ROIC (%)	21.2%	15.6%	18.6%	28.4%	33.2%
ROCE (%)	17.8%	14.8%	20.3%	28.0%	29.7%
Return On Average Assets	9.7%	6.9%	8.8%	12.3%	13.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.