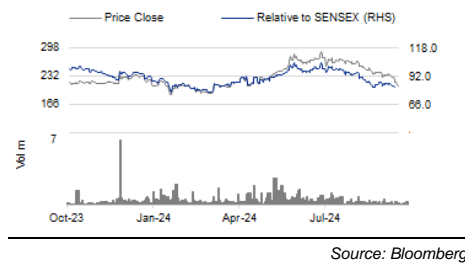


India

**ADD** (no change)

Consensus ratings*: Buy 11 Hold 6 Sell 1	
Current price:	Rs210
Target price:	Rs314
Previous target:	Rs314
Up/downside:	49.5%
InCred Research / Consensus:	9.1%
Reuters:	ONTE.NS
Bloomberg:	ORIENTEL IN
Market cap:	US\$534m
	Rs44,858m
Average daily turnover:	US\$1.5m
	Rs126.2m
Current shares o/s:	213.4m
Free float:	61.7%
*Source: Bloomberg	



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	(14.1)	(22.7)	(1.9)
Relative (%)	(7.5)	(20.8)	(21.2)

<b>Major shareholders</b>	% held
Promoters	38.3
ICICI Prudential Large & Mid Cap	6.8
Mirae Asset Multicap Fund	5.3

# Orient Electric

## Margin expansion on track

- 2Q EBITDA came in at Rs357m, up 73% YoY, 2% above our estimate and 15% above consensus estimate. The EBITDA margin was up 175bp YoY at 5.4%.
- Higher premiumization, at 30% currently, and strong growth in fans drove the growth. Fans contributed 40% to total revenue, touching Rs2.64bn in 2QFY25.
- Rural demand improved, particularly in the latter half of the quarter, due to festive sales. Retain ADD rating with a TP of Rs314, or 42x Sep 2026F EPS.

### Healthy revenue growth

Orient Electric's 2QFY25 revenue grew 16% YoY (-13% QoQ) to Rs6.6bn, 3.9% above our estimate and 5% above the Bloomberg or BB consensus estimate. The ECD segment's revenue was up 21% YoY at Rs4.4bn while the lighting and switchgear segment grew 8.4% YoY to Rs2.2bn. Overall gross margin improved by 210bp YoY due to price hikes and cost-saving initiatives. EBITDA came in at Rs357m, up 73% YoY (-11% QoQ), 2% above our estimate and 15% above the BB consensus estimate. The EBITDA margin was up 175bp YoY at 5.4% (+10bp QoQ). PAT came in at Rs104m (vs. a net loss of Rs2m in 2QFY24) - 27% QoQ, in line with our estimate and 17% above the BB consensus estimate.

### Fans drive consumer durable sales; premiumization continues

Increased premiumization, at 30% currently, and strong growth in BLDC fans drove the growth. Fans contributed 40% to total revenue, touching Rs2.64bn in 2QFY25, benefitting from the ongoing product developments, including in-house PCB production for BLDC fans, which now contribute 25% to ceiling fan sales. The appliances segment saw significant double-digit growth, fueled by the demand for water heaters, coolers, and kitchen appliances. The 'Spark Sanchay' cost-saving program delivered Rs360m in 1HFY25, offsetting some inflationary pressure on raw materials and logistics. The company initiated its first batch of switchgear exports to Europe and also started TPW (table, pedestal, wall) fan exports from its Hyderabad facility.

### Retain our ADD rating on the stock with a target price of Rs314

While the company's strong 2Q results, with an improvement in margin led by lower other expenses drove profitability, it posted good growth across categories. The company expanded its business to Himachal Pradesh and Jammu & Kashmir while keeping the focus on South India, which continues to maintain a higher share of its revenue. Rural demand improved, particularly in the latter half of the quarter, due to festive sales. 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 achieved a 35% growth in 2QFY25. We maintain our estimates for FY25F-27F and retain ADD rating on the stock with a target price of Rs314, valuing it at 42x Sep 2026F EPS. Downside risks: Delay in capex, and muted exports.

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### Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	25,292	28,121	31,629	35,699	40,442
Operating EBITDA (Rsm)	1,510	1,443	2,158	2,966	3,455
Net Profit (Rsm)	758	753	947	1,432	1,753
Core EPS (Rs)	3.6	2.9	3.8	6.7	8.2
Core EPS Growth	(40.1%)	(20.2%)	31.6%	78.9%	22.4%
FD Core P/E (x)	58.82	59.44	47.36	31.33	25.59
DPS (Rs)	2.0	1.5	1.8	2.5	3.0
Dividend Yield	0.95%	0.72%	0.83%	1.19%	1.43%
EV/EBITDA (x)	28.53	30.68	20.38	14.58	12.25
P/FCFE (x)	75.05	(71.73)	87.32	42.90	33.27
Net Gearing	(26.4%)	(7.1%)	(12.6%)	(20.5%)	(28.4%)
P/BV (x)	7.63	7.00	6.44	5.71	5.00
ROE	13.5%	9.9%	12.0%	19.3%	20.8%
% Change In Core EPS Estimates			(43.63%)	(23.94%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## 2QFY25 conference-call highlights

- **Overview:** Orient Electric reported a healthy growth in 2QFY25, despite fluctuating commodity prices. Demand for its products recovered in the latter half of the quarter as the festive season began, supporting a 16.4% YoY revenue growth to Rs6.6bn. Gross margin expanded by 240bp YoY, returning to the pre-COVID level, with management committed to sustaining this margin through continued premiumization efforts. Management highlighted improving rural demand, particularly in the latter half of the quarter, due to festive sales. With a strategic focus on premiumization, the company is optimistic about sustaining operating leverage and margin improvement in the long run. DTM (direct-to-market) sales achieved a 35% growth in 2QFY25.
- **Lighting segment:** This segment reported an 8% YoY growth in revenue to Rs 2.1bn, driven by a strong order book and a shift towards value-added products. B2B sales contributed 20% to the lighting segment's revenue and continues to show steady growth supported by premium luminaires and new product launches. Despite price erosion challenges in B2C lighting, the segment's emphasis on premium products improved the product mix and drove the EBIT margin expansion to 13.6%.
- **Fan segment:** This segment accounted for 40% of total revenue, touching Rs2.64bn in 2QFY25. The segment benefitted from the ongoing product developments, including in-house printed circuit board or PCB production for BLDC fans, which now contribute 25% to ceiling fan sales. The increased share of premium and décor categories supported gross margin expansion, with management reporting a high-teen growth in both urban and semi-urban markets.
- **Appliances segment:** This segment saw significant double-digit growth fueled by the demand for water heaters, coolers, and kitchen appliances, particularly through digital and quick-commerce platforms like Blinkit and Zepto. This segment's strong performance, combined with the festive season boost, highlights its future growth potential as a sub-segment of the electrical consumer durables (ECD) segment, which achieved a 21% YoY growth at Rs4.4bn.
- **Operational updates:** Orient Electric initiated the first batch of switchgear exports to Europe from its Hyderabad facility, which is now fully operational. Manufacturing excellence at the Faridabad plant was also enhanced, improving production efficiency. The 'Spark Sanchay' cost-saving program delivered Rs360m in 1HFY25, offsetting some inflationary pressure on raw materials and logistics. Apart from initiating the export of its first batch of switchgear to Europe, the company has also started TPW (table, pedestal, wall) fan exports from the Hyderabad facility.
- **Margin:** The EBITDA margin improved to 5.4%, up 175bp YoY, supported by a better product mix and efficiency gains at the Hyderabad plant. Management believes that premiumization will further enhance margin, although a return to the FY20-22 average level of around 9% may take a few more quarters as the operating leverage kicks in.
- **Other expenses:** These expenses, which include a mix of fixed and variable costs, remained volatile. Higher costs in 2Q were driven by fixed costs associated with new facilities and DTM sales expansion. The company expects cost improvement, as investments in automation and logistics are fully realized.
- **Capex and working capital:** With no new projects planned, capex in FY25F is expected to be within the Rs500-600m range following the completion of the Hyderabad facility. Working capital days decreased to 19 days, down from 27 days in 2QFY24. Seasonal inventory build-up in 3Q and 4Q may impact working capital needs on a YoY basis.

**Figure 1: Results summary**

Y/E Mar (Rs m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
<b>Net Sales</b>	<b>6,602</b>	<b>5,669</b>	<b>16.4%</b>	<b>7,549</b>	<b>-12.5%</b>	<b>14,150</b>	<b>12,725</b>	<b>11.2%</b>
Net RM	4,464	3,952	12.9%	5,047	-11.6%	9,511	8,845	7.5%
Staff costs	779	583	33.7%	770	1.2%	1,549	1,254	23.5%
Other expenditure	1,002	928	8.0%	1,332	-24.8%	2,334	1,980	17.9%
Total Expenditure	6,245	5,462	14.3%	7,148	-12.6%	13,393	12,079	10.9%
<b>EBITDA</b>	<b>357</b>	<b>207</b>	<b>72.5%</b>	<b>401</b>	<b>-11.0%</b>	<b>757</b>	<b>647</b>	<b>17.1%</b>
<b>EBITDA margin (%)</b>	<b>5.4%</b>	<b>3.6%</b>	<b>175 bps</b>	<b>5.3%</b>	<b>9 bps</b>	<b>5.4%</b>	<b>5.1%</b>	<b>27 bps</b>
Depreciation	196	142	38.3%	175	11.8%	372	285	30.4%
EBIT	160	65	147.1%	225	-28.8%	386	362	6.6%
Interest Expense	60	52	16.3%	57	4.7%	117	111	5.8%
Other recurring income	42	34	24.7%	25	69.6%	67	62	7.1%
Extraordinary Inc/(exp)		187	NA		NA	-	187	NA
PBT	142	234	-39.1%	193	-26.1%	335	500	-33.0%
Tax - Current	24	49	-51.2%	60	-60.0%	84	136	-38.2%
Tax - Deferred	14	-0		-11	-225.5%	3	-18	
Reported PAT	104	185	-43.4%	143	-27.2%	248	381	-35.0%
<b>Adjusted PAT</b>	<b>104</b>	<b>-2</b>		<b>143</b>	<b>-27.2%</b>	<b>248</b>	<b>195</b>	<b>27.3%</b>
<b>EPS (Rs)</b>	<b>0.5</b>	<b>-0.0</b>		<b>0.7</b>	<b>-27.2%</b>	<b>1.2</b>	<b>0.9</b>	<b>27.3%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Margin and cost analysis**

Margins	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Gross Margin	32.4%	30.3%	210bp	33.1%	-76bp	32.8%	30.5%	230bp
EBITDA Margin	5.4%	3.6%	175bp	5.3%	9bp	5.4%	5.1%	27bp
Adj. PAT Margin	1.6%	0.0%	162bp	1.9%	-32bp	1.8%	1.5%	22bp
Cost Analysis	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Net Raw Material Costs	67.6%	69.7%	-210bp	66.9%	76bp	67.2%	69.5%	-230bp
Staff Costs	11.8%	10.3%	153bp	10.2%	161bp	10.9%	9.9%	109bp
Other Expenditure	15.2%	16.4%	-118bp	17.6%	-246bp	16.5%	15.6%	93bp
<b>Total</b>	<b>94.6%</b>	<b>96.4%</b>	<b>-175bp</b>	<b>94.7%</b>	<b>-9bp</b>	<b>94.6%</b>	<b>94.9%</b>	<b>-27bp</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Segmental analysis**

Segmental Details	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
<b>Revenue (Rs m)</b>								
Electrical Consumer Durables	4,395	3,634	20.9%	5,449	-19.3%	9,844	8,785	12.1%
Lighting & Switchgear	2,206	2,035	8.4%	2,100	5.1%	4,306	3,941	9.3%
<b>Total</b>	<b>6,602</b>	<b>5,669</b>	<b>16.4%</b>	<b>7,549</b>	<b>-12.5%</b>	<b>14,150</b>	<b>12,725</b>	<b>11.2%</b>
<b>EBIT (Rs m)</b>								
Electrical Consumer Durables	389	297	30.9%	494	-21.4%	883	788	11.9%
Lighting & Switchgear	300	269	11.2%	390	-23.1%	690	577	19.6%
<b>Total</b>	<b>688</b>	<b>566</b>	<b>21.5%</b>	<b>884</b>	<b>-22.1%</b>	<b>1,572</b>	<b>1,365</b>	<b>15.2%</b>
<b>EBIT Margin (%)</b>								
Electrical Consumer Durables	8.8%	8.2%	67bp	9.1%	-23bp	9.0%	9.0%	-1bp
Lighting & Switchgear	13.6%	13.2%	34bp	18.6%	-498bp	16.0%	14.6%	138bp
<b>Total</b>	<b>10.4%</b>	<b>10.0%</b>	<b>44bp</b>	<b>11.7%</b>	<b>-128bp</b>	<b>11.1%</b>	<b>10.7%</b>	<b>38bp</b>

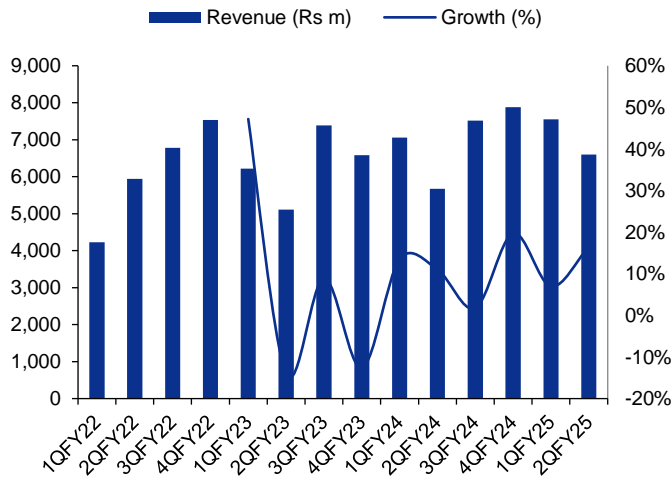
SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 4: Actual vs estimates**

Actuals vs Estimates			
Rs m	2QFY25	2QFY25F	Var (%)
Revenue	6,602	6,357	3.9%
EBITDA	357	350	2.0%
EBITDA Margin (%)	5.4%	5.5%	-10 bps
<b>Adj. PAT</b>	<b>104</b>	<b>105</b>	<b>-0.2%</b>
Actuals Vs Consensus			
Rs m	2QFY25	2QFY25C	Var (%)
Revenue	6,602	6,191	6.6%
EBITDA	357	311	14.6%
EBITDA Margin (%)	5.4%	5.0%	38 bps
<b>Adj. PAT</b>	<b>104</b>	<b>89</b>	<b>17.3%</b>

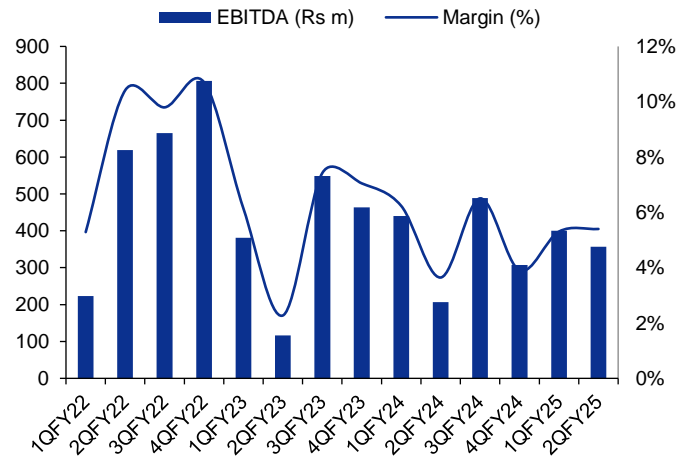
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Revenue grew by 16% YoY



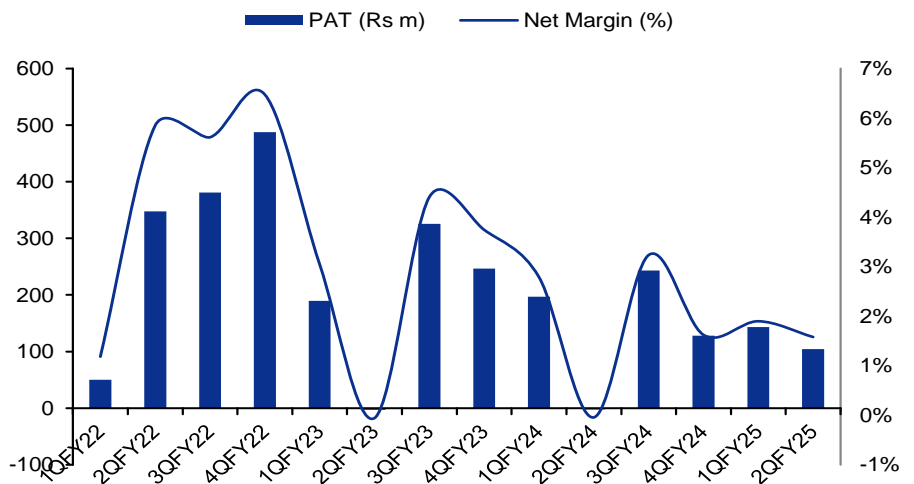
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: EBITDA margin improved by 175bp YoY



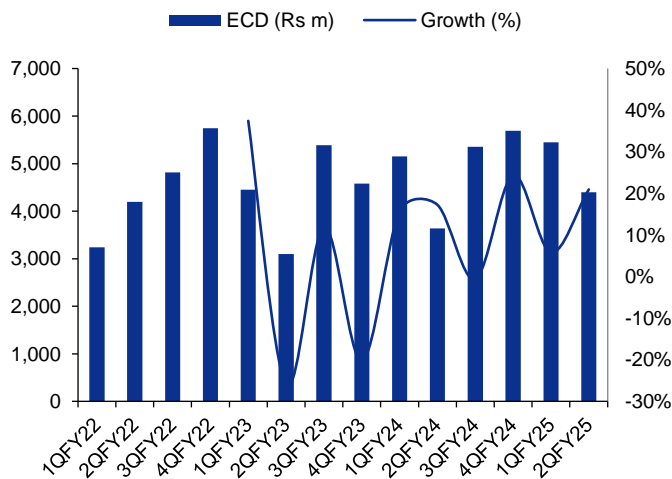
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Profitability is on track



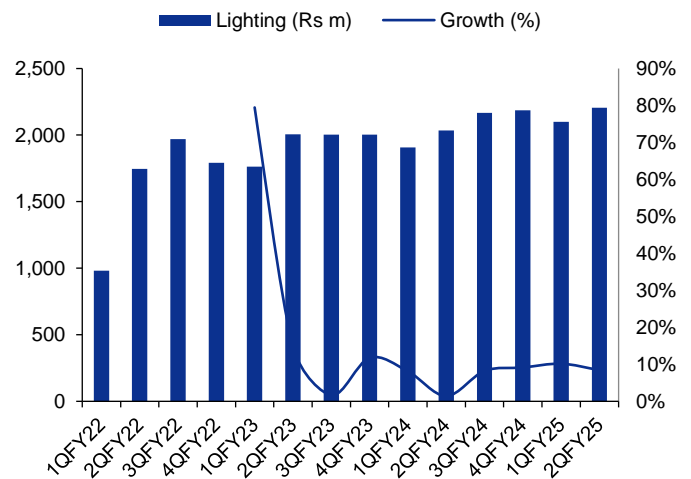
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 8: ECD revenue grew by 21% YoY



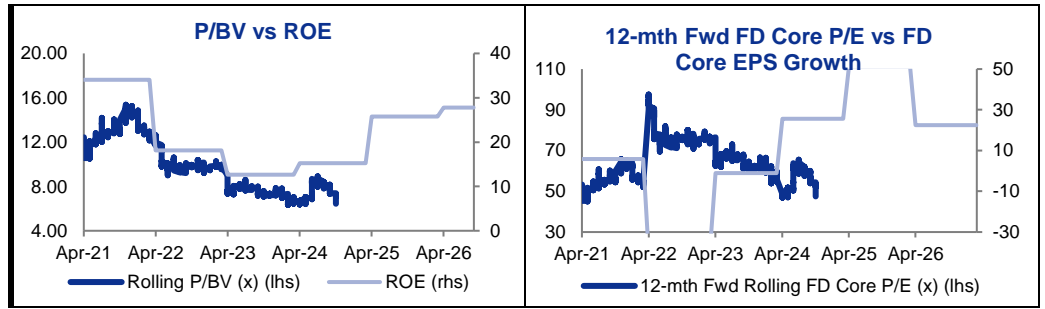
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 9: Lighting growth in higher single digit



SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	25,292	28,121	31,629	35,699	40,442
<b>Gross Profit</b>	7,050	8,551	10,223	11,424	12,892
<b>Operating EBITDA</b>	1,510	1,443	2,158	2,966	3,455
Depreciation And Amortisation	(535)	(590)	(958)	(898)	(981)
<b>Operating EBIT</b>	975	853	1,200	2,068	2,474
Financial Income/(Expense)	(171)	(160)	(195)	(175)	(156)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	215	82	14	17	20
<b>Profit Before Tax (pre-EI)</b>	1,019	776	1,018	1,909	2,338
Exceptional Items		187	187		
<b>Pre-tax Profit</b>	1,019	963	1,205	1,909	2,338
Taxation	(261)	(210)	(258)	(477)	(584)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	758	753	947	1,432	1,753
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	758	753	947	1,432	1,753
Recurring Net Profit	758	607	800	1,432	1,753
<b>Fully Diluted Recurring Net Profit</b>	758	607	800	1,432	1,753

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	1,510	1,443	2,158	2,966	3,455
Cash Flow from Invt. & Assoc.					
Change In Working Capital	567	(443)	(227)	(264)	(307)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	196	206	(263)	(462)	(480)
Net Interest (Paid)/Received	(27)	33	195	175	156
Tax Paid	(349)	(57)	(258)	(477)	(584)
<b>Cashflow From Operations</b>	1,897	1,183	1,604	1,938	2,239
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
<b>Cash Flow From Investing</b>	(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)	(279)	(276)	(277)
<b>Cash Flow From Financing</b>	(661)	(457)	(653)	(809)	(917)
Total Cash Generated	137	(980)	(140)	236	431
<b>Free Cashflow To Equity</b>	594	(623)	513	1,046	1,348
<b>Free Cashflow To Firm</b>	710	(629)	234	770	1,071

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	1,087	1,823	2,754
Total Debtors	3,560	4,620	5,196	5,865	6,644
Inventories	2,846	3,151	3,544	4,000	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>10,682</b>	<b>12,653</b>	<b>15,023</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	6,118	6,905	7,822
Other Current Liabilities	1,000	1,269	1,427	1,611	1,825
<b>Total Current Liabilities</b>	<b>5,631</b>	<b>6,917</b>	<b>7,754</b>	<b>8,725</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>8,956</b>	<b>9,927</b>	<b>11,058</b>
Shareholders Equity	5,846	6,389	6,963	7,862	8,975
Minority Interests					
<b>Total Equity</b>	<b>5,846</b>	<b>6,389</b>	<b>6,963</b>	<b>7,862</b>	<b>8,975</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%	13.3%
Operating EBITDA Growth	(34.7%)	(4.4%)	49.5%	37.5%	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	11.93
BVPS (Rs)	27.55	30.03	32.63	36.85	42.06
Gross Interest Cover	4.40	3.67	4.30	7.49	8.93
Effective Tax Rate	25.6%	21.8%	21.4%	25.0%	25.0%
Net Dividend Payout Ratio	41.7%	41.3%	36.7%	27.9%	27.4%
Accounts Receivables Days	53.85	53.08	56.64	56.54	56.44
Inventory Days	61.10	55.93	57.07	56.71	56.51
Accounts Payables Days	90.28	92.96	98.53	97.90	97.55
ROIC (%)	21.2%	15.6%	16.8%	28.4%	33.2%
ROCE (%)	17.8%	14.8%	18.6%	28.5%	30.1%
Return On Average Assets	9.7%	6.9%	8.0%	12.4%	13.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.
<i>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.</i>	
<b>Sector Ratings</b>	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.
<b>Country Ratings</b>	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.