

**BUY****TP: Rs 280 | ▲ 16%****ORIENT ELECTRIC**

Consumer Durables

26 April 2025

## Decent performance; execution remains key monitorable

- Revenue grew 9% YoY, led by 13% YoY growth in L&S and 8% YoY in ECD
- EBITDA margin expanded 390bps YoY, led by improved product mix, cost savings and the absence of EPR and consultancy-led costs
- We ascribe 35x FY27E to arrive at Mar-26TP of Rs 280, assume coverage with BUY

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**Stable performance with margin-driven beat:** Orient's 4Q was a decent show as revenue/EBITDA was 3%/8% above estimates. Revenue grew 10% YoY to Rs 8.6 bn, led by the Lighting & Switchgears (+13% YoY) and ECD segments (+8% YoY). Gross margin expanded 67bps YoY, driven by premiumisation and an improved product mix. EBITDA margin stood at 7.8%, expanded to 390bps YoY, adjusting for EPR-led cost (Rs 184mn) in Q4FY24 margins expanded 150bps YoY. Segment-wise, ECD saw 290bps YoY (flat QoQ) margin improvement while lighting margin contracted 40bps YoY (-100bps QoQ). The company reported PAT of Rs 313mn (144% YoY). During FY25, revenue grew 10% YoY, led by 10% YoY growth in ECD and 11% YoY growth in lighting and switchgears. EBITDA grew 41% YoY as margin expanded 140bps YoY to 6.6% and adjusted PAT grew 47% YoY.

**Modest growth in ECD (+8% YoY), watchful on summer-led demand:** ECD revenue grew 8% YoY, broadly in line with estimates, on a high base (+24% YoY in Q4FY24). Fans posted high single-digit growth, driven by premiumisation and new launches, with lifestyle and decorative fans leading the momentum. BLDC fans grew 50% YoY in Q4 and 30% YoY for FY25. EBIT margin expanded 290bps YoY to 11%, aided by an improved product mix and the absence of EPR-related and consulting (McKinsey) costs. While a hot summer outlook resulted in pre-season channel stocking, the delayed onset has softened secondary sales. Cooling product majors have indicated a mild start to the summers, tempering earlier optimism. We remain watchful, as elevated inventory could trigger pricing pressure if secondary demand remains weak.

**Robust growth in Lighting & Switchgears (L&S):** Lighting revenue grew 13% YoY, led by a mid-teen growth in B2B lighting and double-digit volume growth in Consumer Lighting. Switchgears posted a strong high double-digit growth, driven by new launches and retail expansion. Wires also saw high double-digit growth on account of channel restocking, led by demand driven by commodity prices. While the pricing pressure in lighting persists, EBIT margin contraction was contained at 40bps YoY (-100bps QoQ).

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ORIENTEL IN/Rs 241
Market cap	US\$ 599.5mn
Free float	62%
3M ADV	US\$ 0.7mn
52wk high/low	Rs 297/Rs 177
Promoter/FPI/DII	38%/6%/28%

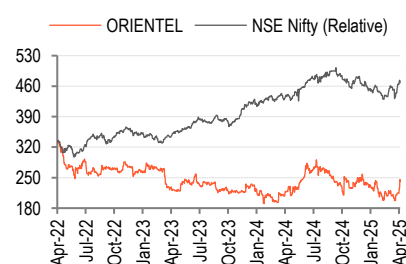
Source: NSE | Price as of 25 Apr 2025

## Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	28,121	30,937	34,478
EBITDA (Rs mn)	1,443	2,037	2,517
Adj. net profit (Rs mn)	566	832	1,149
Adj. EPS (Rs)	2.7	3.9	5.4
Consensus EPS (Rs)	2.7	5.5	7.8
Adj. ROAE (%)	9.3	12.5	15.8
Adj. P/E (x)	90.8	61.7	44.7
EV/EBITDA (x)	35.5	25.1	20.4
Adj. EPS growth (%)	(25.4)	47.0	38.0

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Assume coverage with BUY:** We estimate Orient to deliver revenue/EBITDA/PAT CAGR of 12%/25%/41% over FY25-27E, with earnings growth outpacing the revenue, driven by margin expansion. EBITDA margins are expected to improve from 6.6% in FY25 to 7.3%/8.1% in FY26E/FY27E, led by premiumisation, DTM strategy, and cost optimisation under Project Sanchay. We believe the leadership transition challenges seen in FY23-24 are largely behind, though we conservatively model margins below management's double-digit guidance over the next 7–8 quarters. With a robust balance sheet, strong working capital cycle, and healthy FCF generation post major capex, the company is well-placed to drive 12–15% volume growth. We value Orient at 35x Mar-27E EPS, arriving at a Mar-26E TP of Rs 280, implying 16% upside, and assume with a BUY rating.

## Earning call highlights

### Electric consumer durables (ECD)

ECD segment revenue grew 8% YoY even in a seasonal quarter, largely due to: a) high base of last year (reported 24% YoY growth) b) transitioning from traditional distribution model (master distributor) to DTM in West Bengal (total DTM states count reached to 11 states), led to some loss in sales. Whereas margins saw a significant jump (290bps YoY) on account of absence of EPR and consultancy fees during the quarter.

- **Fans:** Management highlighted that the fans segment witnessed a high single-digit growth in Q4. Growth was led by majority of channel filling only appeared in March due to a delayed summer and extended but moderate winters. BLDC fans continued as the key growth driver with over 50% YoY growth in Q4 and over 30% YoY on a full-year basis. Going ahead, the company will continue its focus on NPDs (contributed >20%), innovation, and premiumisation, in order to drive the ECD segment performance.
- **Air Coolers:** Being a cooling-products-heavy quarter, Q4 saw a strong 33% growth YoY in air coolers, with a full-year growth coming in at around 37%. The growth was primarily led by pre-season channel stocking in this underpenetrated category. Management commented air coolers to be a Rs 30bn market, of which organised segment contributing ~50%, is growing faster.
- **Water heaters:** The company has enhanced its portfolio of water heaters (crysta 25L WH) during the quarter.

### Lighting & Switchgears

The Lighting & Switchgears segment delivered a robust performance in Q4FY25, with revenue rising 13% YoY to Rs 2.5bn.

- **Lighting:** In B2C lighting, premium SKUs now contribute over 60%, supported by products like COBs, panels, downlighters, and magnetic tracks, driving better volume-to-value growth. Despite a weak industry backdrop, the company gained a market share of ~200 bps. B2B lighting saw over 20% YoY growth for FY25, led by marquee project executions in street and façade lighting and a strong order pipeline.

- **Switchgears & Wires:** Switchgears posted high double-digit growth, driven by the launch of Universal Switch Nixa, which has strengthened the switchgears product portfolio. On the other hand, wires have shown high double-digit growth with channel restocking and demand pickup from infrared activities. Both segments are scaling steadily with a focus on premiumisation and distribution expansion.

### **Commodity fluctuations; cost savings from Project Sanchay**

On the profitability front, the quarter saw fluctuations in key commodities like copper and aluminum — with prices rising through Feb–Mar before easing recently. Management indicated that stable input costs over the next couple of quarters could support gross margin expansion. It remains confident in its ability to pass on cost fluctuations, backed by a strong brand, diverse portfolio, and wide distribution. Additionally, cost savings of Rs 750mn were achieved in FY25 under Project Sanchay.

### **DTM now covers 11 states**

During the quarter, the company experienced high double-digit growth from direct to market (DTM) markets. With its entry into the West Bengal market, the count of states with DTM has reached to 11.

### **Targeting new-age consumers through quick-commerce**

Orient Electric has strategically partnered with Zepto and Blinkit to tap into the growing quick-commerce channel, enabling 10-minute deliveries of fans. As part of a Zepto-exclusive campaign — “*Hawa ke saath saath, Zepto ke sang sang*” — the company aims to enhance product accessibility and drive visibility. To strengthen digital engagement and resonate with younger audiences, the company has roped in new-age influencers, along with MS Dhoni.

### **Guidance**

Management aims to ramp up premium fan mix including BLDC to (+40%) over the next few years, up from the current 30% (vs industry at ~20%). Management expects EBITDA margin improvement over the next two years to be driven by a mix of stable-to-higher gross margins (31–33%), operating leverage, and cost efficiencies, with commodity stability being a key variable for further gross margin upside. The company is confident that in the next 7-8 quarters, it will be closer to its aspiration of double-digit margins.

**Fig 1 – Quarterly performance**

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	Q4FY25E	Var (%)
Revenue	8,619	7,877	9.4	8,168	5.5	30,937	28,121	10.0	8,341.7	3
EBITDA	668	307	117.4	612	9.2	2,037	1,443	41.1	617	8
EBITDA Margin (%)	7.8	3.9	390bps	7.5	30bps	6.6	5.1	150bps	7.4	36bps
Depreciation	218	155		202		791	590		226	(4)
Interest	64	68		61		242	233		95	(32)
Other Income	35	50		17		118	155		41	(15)
PBT	421	135	212.4	366	15.1	1,123	776	44.7	336.5	25
Tax	109	7		95		290	210		80	36
Recurring PAT	313	128	144.2	272	15.1	832	566	47.0	257	22
Exceptional item		-		0		-	(187)			
Reported PAT	313	128	144.2	272	15.1	832	753	10.5	257	22
Adj. PAT Margin (%)	3.6	1.6	200bps	3.3	9.0	2.7	2.0	70bps	3.1	55bps
EPS (Rs)	1.5	0.6	144.2	1.3	15.1	3.9	3.5	10.5	1.2	21.453

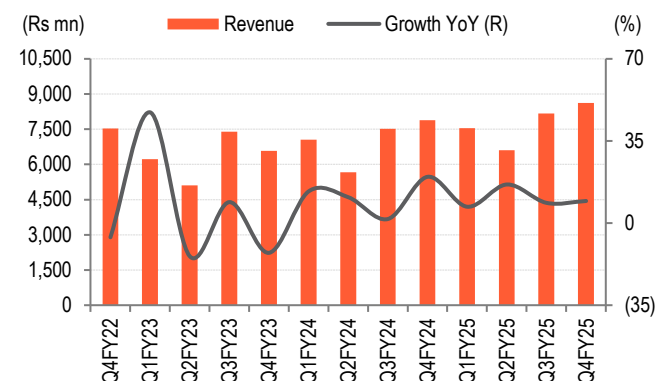
Source: Company, BOBCAPS Research

**Fig 2 – Segmental performance**

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Segment revenue								
ECD	6,142	5,691	8	5,743	7	21,730	19,828	10
Lighting and SG	2,476	2,186	13	2,425	2	9,207	8,294	11
EBIT								
ECD	678	465	46	643	5	2,203	1,856	19
Margin %	11.0	8.2	286bps	11.2	0bps	10.1	9.4	78bps
Lighting and SG	308	281	10	322	(4)	1,320	1,164	13
Margin %	12.5	12.8	(40bps)	13.3	(100bps)	14.3	14.0	29bps

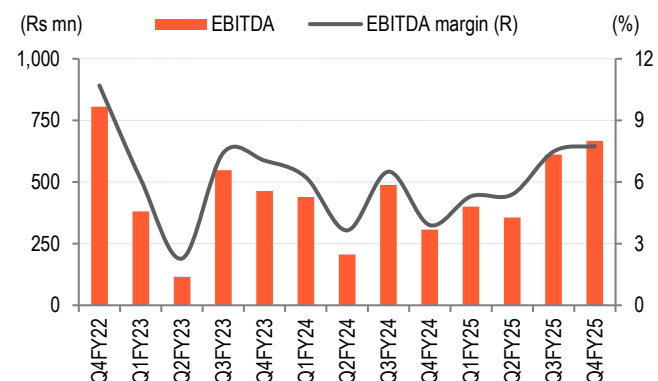
Source: Company, BOBCAPS Research

**Fig 3 – Revenue growth**



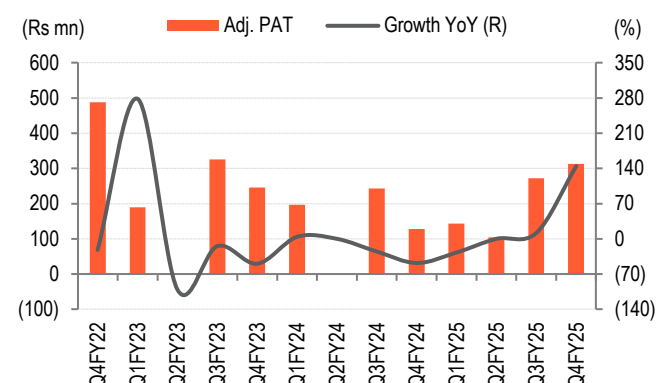
Source: Company, BOBCAPS Research

**Fig 4 – EBITDA growth**



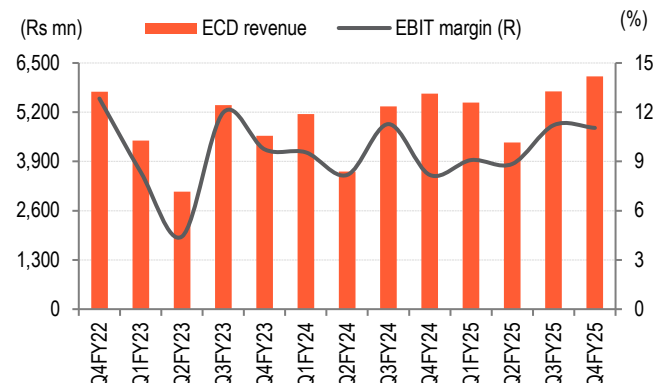
Source: Company, BOBCAPS Research

**Fig 5 – Profit growth**



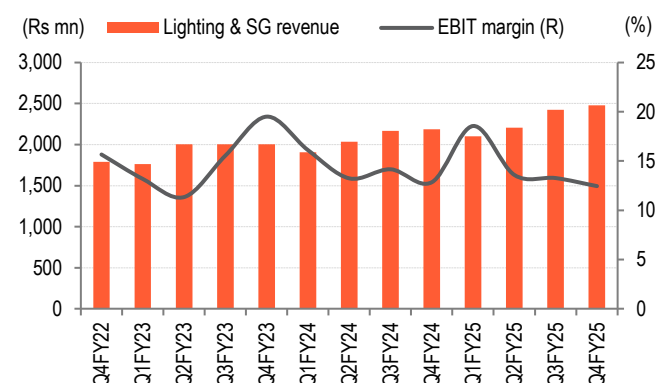
Source: Company, BOBCAPS Research

**Fig 6 – ECD segment performance**



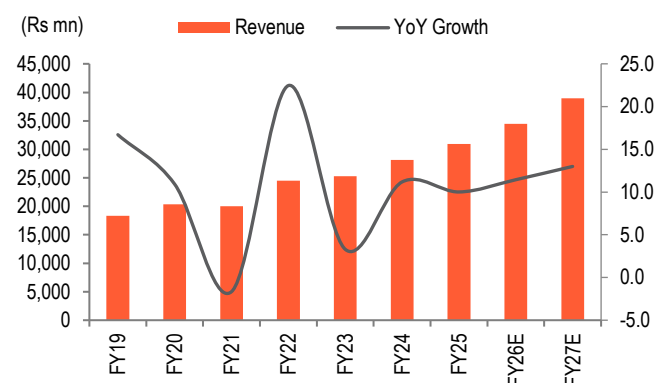
Source: Company, BOBCAPS Research

**Fig 7 – Lighting & Switchgear performance**



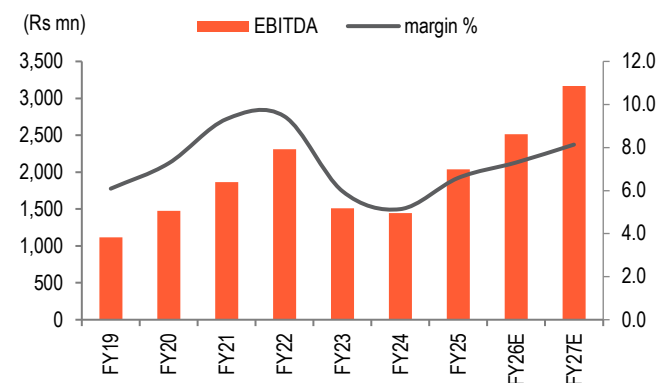
Source: Company, BOBCAPS Research

**Fig 8 – Revenue Growth (Annual)**



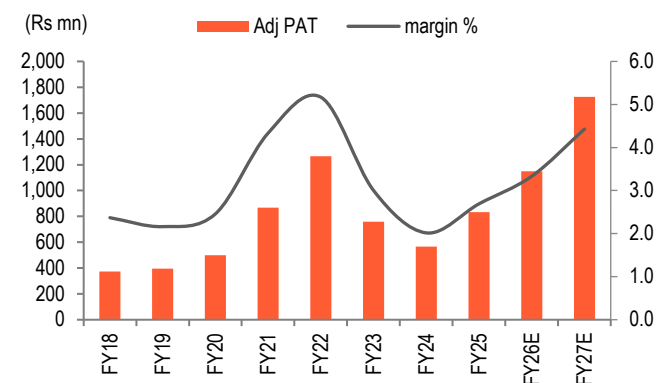
Source: Company, BOBCAPS Research

**Fig 9 – EBITDA growth (Annual)**



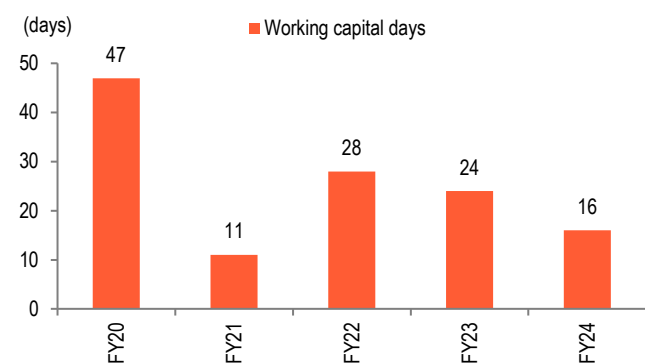
Source: Company, BOBCAPS Research

**Fig 10 – Profit Growth (Annual)**



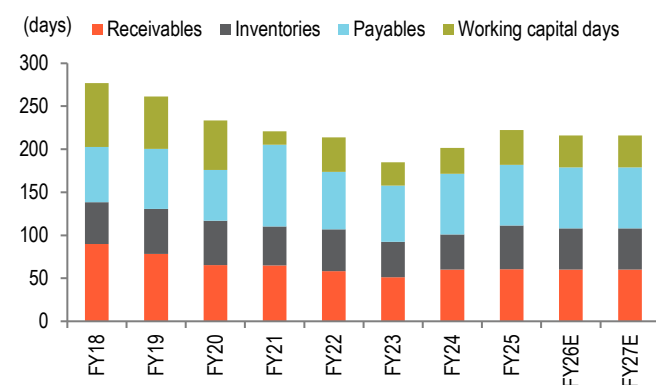
Source: Company, BOBCAPS Research

**Fig 11 – Working Capital Cycle**



Source: Company, BOBCAPS Research

**Fig 12 – Working Capital Trends**



Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Total revenue</b>	<b>25,292</b>	<b>28,121</b>	<b>30,937</b>	<b>34,478</b>	<b>38,960</b>
EBITDA	1,510	1,443	2,037	2,517	3,169
Depreciation	535	590	791	820	839
EBIT	975	853	1,246	1,697	2,330
Net interest inc./(exp.)	(222)	(233)	(242)	(276)	(193)
Other inc./(exp.)	266	155	118	115	170
Exceptional items	0	0	0	0	0
EBT	1,019	776	1,123	1,536	2,307
Income taxes	261	210	290	387	581
Extraordinary items	0	(187)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>759</b>	<b>753</b>	<b>832</b>	<b>1,149</b>	<b>1,726</b>
Adjustments	0	(187)	0	0	0
<b>Adjusted net profit</b>	<b>759</b>	<b>566</b>	<b>832</b>	<b>1,149</b>	<b>1,726</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	4,530	5,439	6,001	6,707	7,579
Other current liabilities	1,000	1,270	1,424	1,511	1,708
Provisions	0	0	0	0	0
Debt funds	973	1,116	864	789	714
Other liabilities	297	295	315	315	315
Equity capital	213	213	213	213	213
Reserves & surplus	5,634	6,176	6,730	7,419	8,454
Shareholders' fund	5,846	6,389	6,943	7,632	8,668
<b>Total liab. and equities</b>	<b>12,646</b>	<b>14,509</b>	<b>15,547</b>	<b>16,954</b>	<b>18,983</b>
Cash and cash eq.	1,642	663	548	1,134	1,815
Accounts receivables	3,560	4,620	5,128	5,668	6,404
Inventories	2,846	3,151	4,297	4,534	5,124
Other current assets	647	761	486	850	961
Investments	0	0	0	0	0
Net fixed assets	2,902	4,442	4,316	3,996	3,906
CWIP	0	0	0	0	0
Intangible assets	216	167	129	129	129
Deferred tax assets, net	0	0	0	0	0
Other assets	833	707	644	644	644
<b>Total assets</b>	<b>12,646</b>	<b>14,510</b>	<b>15,547</b>	<b>16,954</b>	<b>18,983</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Cash flow from operations</b>	<b>1,897</b>	<b>1,183</b>	<b>876</b>	<b>1,621</b>	<b>2,197</b>
Capital expenditures	(1,136)	(1,400)	(546)	(500)	(750)
Change in investments	(58)	(376)	213	0	0
Other investing cash flows	95	70	43	0	0
<b>Cash flow from investing</b>	<b>(1,099)</b>	<b>(1,705)</b>	<b>(290)</b>	<b>(500)</b>	<b>(750)</b>
Equities issued/Others	1	1	0	0	0
Debt raised/repaid	(292)	(183)	(372)	(75)	(75)
Interest expenses	0	0	0	0	0
Dividends paid	(370)	(274)	(347)	(459)	(690)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(661)</b>	<b>(457)</b>	<b>(720)</b>	<b>(534)</b>	<b>(765)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>137</b>	<b>(980)</b>	<b>(134)</b>	<b>586</b>	<b>681</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,642</b>	<b>663</b>	<b>548</b>	<b>1,134</b>	<b>1,815</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	3.6	3.5	3.9	5.4	8.1
Adjusted EPS	3.6	2.7	3.9	5.4	8.1
Dividend per share	1.5	1.5	1.5	2.2	3.2
Book value per share	27.5	30.0	32.6	35.9	40.7

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	2.0	1.8	1.7	1.5	1.3
EV/EBITDA	33.9	35.5	25.1	20.4	16.2
Adjusted P/E	67.7	90.8	61.7	44.7	29.8
P/BV	8.8	8.0	7.4	6.7	5.9

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	74.4	72.9	74.1	74.8	74.8
Interest burden (PBT/EBIT)	104.6	90.9	90.1	90.5	99.0
EBIT margin (EBIT/Revenue)	3.9	3.0	4.0	4.9	6.0
Asset turnover (Rev./Avg TA)	8.7	6.3	7.2	8.6	10.0
Leverage (Avg TA/Avg Equity)	0.5	0.7	0.6	0.5	0.5
<b>Adjusted ROAE</b>	<b>13.5</b>	<b>9.3</b>	<b>12.5</b>	<b>15.8</b>	<b>21.2</b>

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	3.3	11.2	10.0	11.4	13.0
EBITDA	(34.7)	(4.4)	41.1	23.6	25.9
Adjusted EPS	(40.3)	(25.4)	47.0	38.0	50.3

### Profitability & Return ratios (%)

EBITDA margin	6.0	5.1	6.6	7.3	8.1
EBIT margin	3.9	3.0	4.0	4.9	6.0
Adjusted profit margin	3.0	2.0	2.7	3.3	4.4
Adjusted ROAE	13.5	9.3	12.5	15.8	21.2
ROCE	14.3	10.3	13.2	16.7	21.0

### Working capital days (days)

Receivables	51	60	60	60	60
Inventory	41	41	51	48	48
Payables	65	71	71	71	71

### Ratios (x)

Gross asset turnover	10.5	5.9	4.4	4.6	4.8
Current ratio	1.5	1.3	1.3	1.4	1.5
Net interest coverage ratio	4.4	3.7	5.1	6.1	12.1
<b>Adjusted debt/equity</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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**BUY** – Expected return >+15%

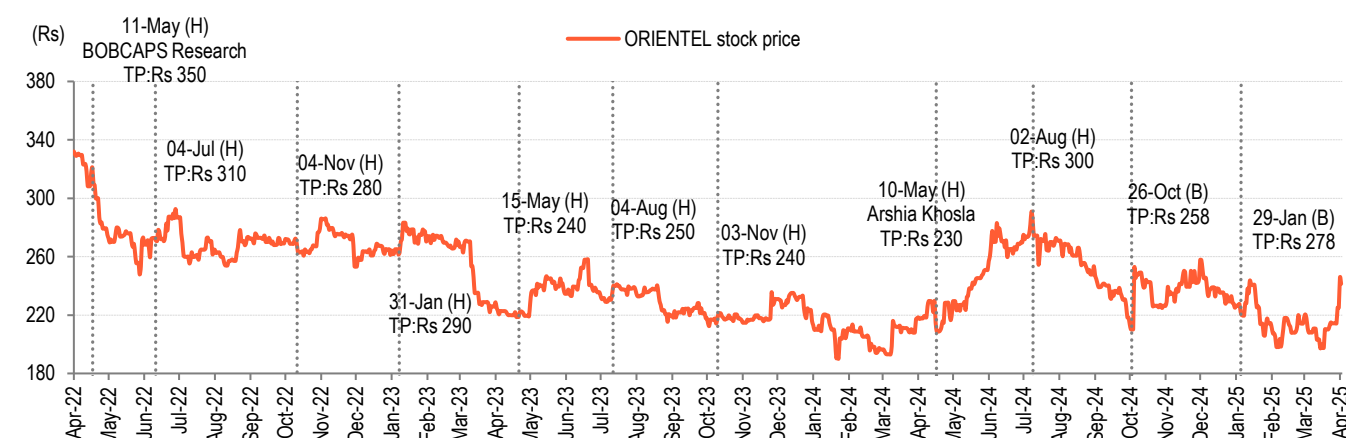
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): ORIENT ELECTRIC (ORIENTEL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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