

**Sequential recovery in demand; Maintain Buy!**

Q3FY24 Result Update | Sector: Consumer Electrical | February 05, 2024

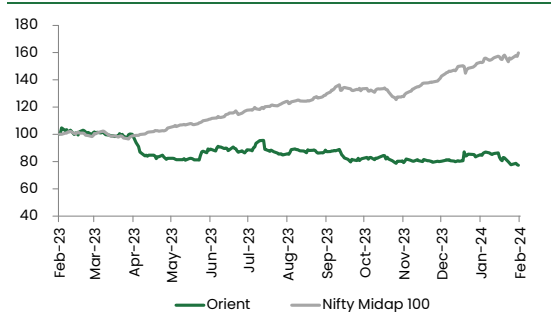
**BUY**

<b>CMP (Rs)</b>	<b>220</b>
<b>Target Price (Rs)</b>	<b>271</b>
<b>Potential Upside</b>	<b>23.2%</b>
<b>Sensex</b>	72,086
<b>Nifty</b>	21,854

<b>Key Stock data</b>	
<b>BSE Code</b>	541301
<b>NSE Code</b>	ORIENTELE
<b>Bloomberg</b>	ORIENTEL:IN
<b>Shares o/s, Cr (FV 1)</b>	21.3
<b>Market Cap (Rs Cr)</b>	4,686
<b>3M Avg Volume</b>	500,905
<b>52 week H/L</b>	291/208

**Shareholding Pattern**

(%)	Jun-23	Sep-23	Dec-23
<b>Promoter</b>	38.3	38.3	38.3
<b>FII</b>	5.5	5.7	5.9
<b>DII</b>	27.9	30.0	29.2
<b>Others</b>	28.3	26.0	26.5

**1 year relative price performance**

**1 year P/E Forward (x)**

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**Decent overall performance:** Orient Electric Q3FY24 revenue from operations was reported at Rs 752 Cr, up 1.7% YoY/32.6% QoQ. The demand in the appliances, lighting and switchgear segment remained stable while fans demand was subdued resulting in moderate growth as compared to last year. Amongst segments; Electrical Consumer Durables (ECD) revenue was Rs 535 Cr, down by 0.7% while it was up by 47.3% QoQ, consequently, Lighting & Switchgears grew by 8.2% YoY/6.5% QoQ to Rs 217 Cr.

**Mixed trend of margin:** Gross profit grew by 6.2% YoY to Rs 225 Cr with a margin of 29.9% which expanded by 127bps, mainly due to decline in input cost and improved product mix in its sales. EBITDA was Rs 49 Cr, down by 10.8% YoY with a margin of 6.5% which declined by 92bps YoY due to mixed demand across segments resulting in operating deleverage while rise in investment across key areas kept the overheads cost higher.

**Segmental performance:** The softness in demand towards the ECD segment, price discounting along with expenses related to improving distribution channels led EBIT to decline by 6.5% YoY to Rs 60 Cr while margin declined by 71bps YoY to 11.3%. Similarly, Lighting & Switchgear EBIT declined by 1.4% YoY to Rs 31 Cr with a margin of 14.2% which declined by 120bps YoY.

**Concall & Other key highlights:** 1) The company has spent Rs 180 Cr towards the Hyderabad plant. 2) Launched 15 new products; 12 in Lighting segment and 3 in the ECD segment. 3) Its cost saving initiative project "Spark Sanchay" led to cost savings of Rs 45 Cr for 9MFY24. 4) Direct-to-Market (DTM) sales in 7 states grew by 36% YoY in the fans category. 5) Achieved highest ever quarterly revenue through digital business which is up by 100% YoY. 6) International business growth was in high teens, however, could see some blip due to the macro-economic environment. 7) The company expects the investments to aid in volume growth and margin expansion in the upcoming quarters.

**Outlook & Valuations:** Orient has a diversified range of product categories in its ECD segment and Lighting & Switchgears segment with robust distribution network across India. The sequential recovery in demand ahead of its key sales period and rise in real estate activities across India as well as its expansion of distribution network augurs well for its volume and revenue expansion across segments. Factoring this, we estimate its revenue/EBITDA/PAT to grow at a CAGR of 12.6%/26.4%/31.9% over FY23-26E and maintain **Buy** rating with a target price of **Rs 271** valuing the company at 33x on FY26E EPS.

**Financial Summary - standalone**

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	2,529	2,732	3,141	3,612
EBITDA	151	149	187	305
EBITDAM (%)	6.0	5.5	6.0	8.4
APAT	76	82	89	174
APATM (%)	3.0	2.3	2.8	4.8
EPS (Rs)	3.6	3.9	4.2	8.2
PE (x)	61.6	56.7	52.4	26.9
RoE (%)	13.5	10.2	12.5	20.6

Source : RBL Research

Improved product mix and softer commodity prices led to gross profit and margin expansion on YoY basis.

Investments across key areas led EBITDA to decline by 10.8% YoY

PAT declined by 25.3% YoY

Softer commodity prices aided in gross margin expansion

Strong sequential recovery in ECD business

Higher cost across segment led to decline in EBIT across segment

#### P&L Account Quarterly – standalone

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
<b>Net sales</b>	<b>752</b>	<b>739</b>	<b>1.7</b>	<b>567</b>	<b>32.6</b>
Total material cost	527	528	(0.1)	395	33.4
<b>Gross Profit</b>	<b>225</b>	<b>212</b>	<b>6.2</b>	<b>172</b>	<b>30.9</b>
<b>Gross Profit Margin (%)</b>	<b>29.9</b>	<b>28.6</b>	<b>127 bps</b>	<b>30.3</b>	<b>-40 bps</b>
Employee cost	64	57	11.0	58	9.2
Other overheads	112	99	12.9	93	20.9
<b>EBITDA</b>	<b>49</b>	<b>55</b>	<b>(10.8)</b>	<b>21</b>	<b>136.7</b>
<b>EBITDA Margin (%)</b>	<b>6.5</b>	<b>7.4</b>	<b>-92 bps</b>	<b>3.6</b>	<b>286 bps</b>
Depreciation	15	14	8.5	14	6.1
Interest	5	6	(11.1)	5	3.9
Other income	4	9	(50.3)	3	27.4
<b>PBT</b>	<b>33</b>	<b>44</b>	<b>(24.7)</b>	<b>5</b>	<b>599.4</b>
Tax	8	11	(23.1)	5	72.2
Effective tax rate (%)	25.8	25.3	54 bps	-	-
<b>PAT</b>	<b>24</b>	<b>33</b>	<b>(25.3)</b>	<b>-</b>	<b>-</b>
EO Gain/(loss)	-	-		19	
<b>Reported PAT</b>	<b>24</b>	<b>33</b>	<b>(25.3)</b>	<b>19</b>	<b>30.9</b>
<b>PAT Margin (%)</b>	<b>3.2</b>	<b>4.4</b>	<b>-117 bps</b>	<b>3.3</b>	<b>-4 bps</b>

Source : RBL Research

#### Cost analysis

As a % of net sales	Q3FY24	Q3FY23	Y-o-Y (bps)	Q2FY24	Q-o-Q (bps)
Material costs	70.1	71.4	(127 bps)	69.7	40 bps
Personnel Costs	8.5	7.8	70 bps	10.3	(181 bps)
Other overheads	14.9	13.4	148 bps	16.4	(145 bps)
<b>Total costs</b>	<b>93.5</b>	<b>92.6</b>	<b>92 bps</b>	<b>96.4</b>	<b>(286 bps)</b>

Source : RBL Research

Segmental Revenue (In Cr)	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Electric Consumer Durables (ECD)	535	539	(0.7)	363	47.3
Lighting & Switchgears	217	200	8.2	203	6.5
<b>Total</b>	<b>752</b>	<b>739</b>	<b>1.7</b>	<b>567</b>	<b>32.6</b>

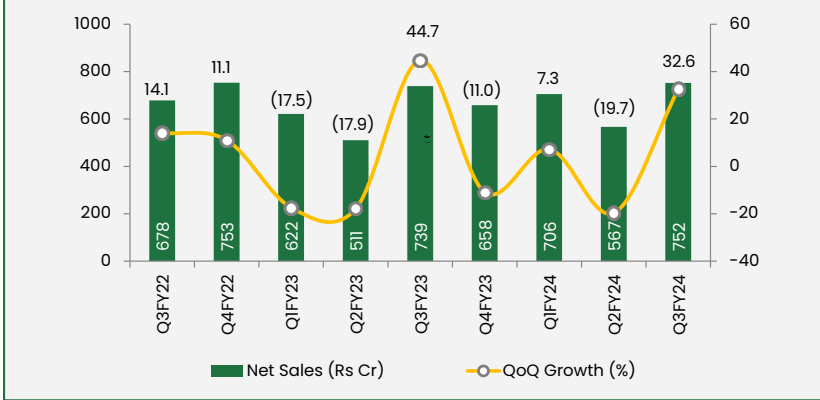
Source : RBL Research

Segmental Revenue (In Cr)	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Electric Consumer Durables	60	65	(6.5)	30	103
Lighting & Switchgears	31	31	(1.4)	27	13.9
Less: Other Unallocable	54	49	10.7	49	12
<b>Total EBIT</b>	<b>37</b>	<b>46</b>	<b>(21.4)</b>	<b>8</b>	<b>356.9</b>

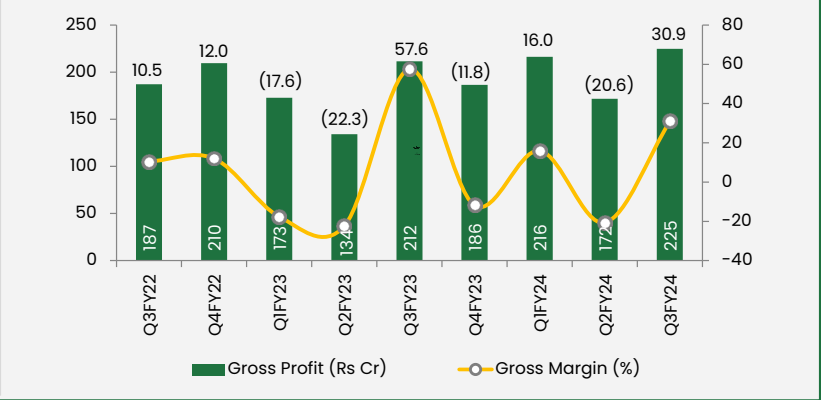
Source : RBL Research

Story in charts

Sequential recovery in demand ahead of peak season



Improved product mix and softer commodity prices led the growth

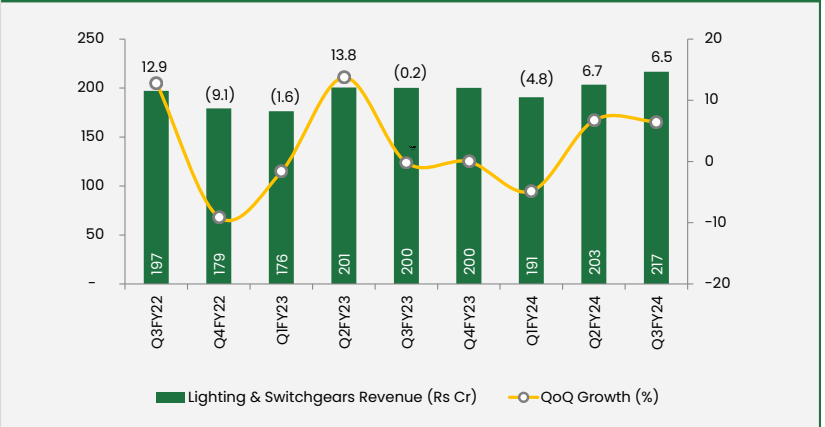


Source : RBL Research

Subdued demand in fans led to a decline of 0.7% YoY

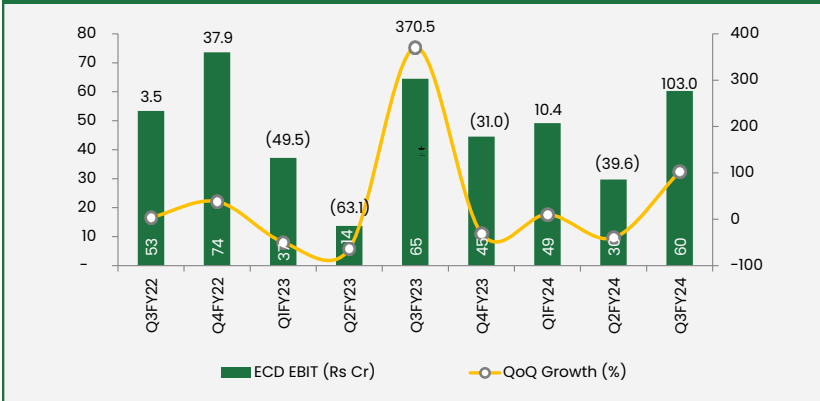


Lighting & Switchgear revenue remained stable

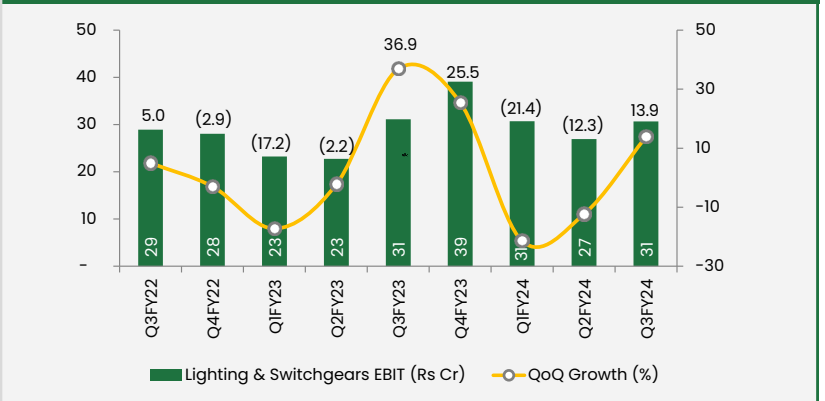


Source : RBL Research

Soft sales and high expenses led EBIT to decline by 6.6% YoY

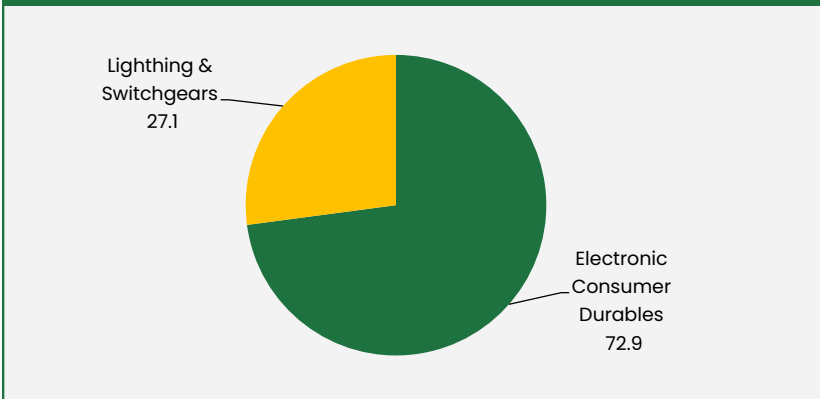


Price erosion led EBIT to decline by 1.4% YoY

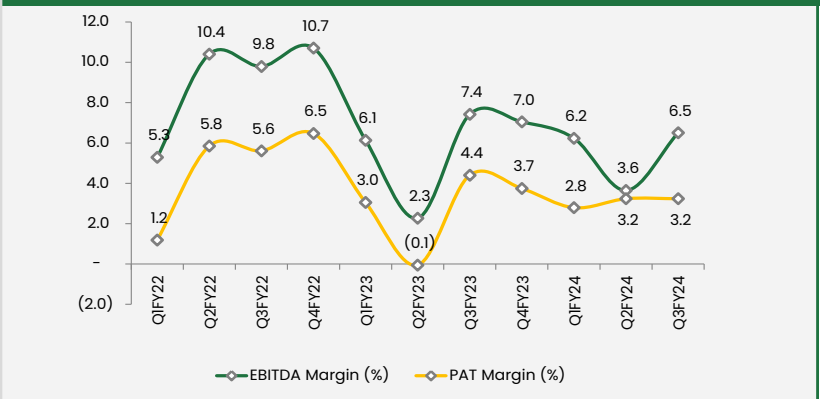


Source : RBL Research

Segmental contribution to revenue (in %)



Trend of EBITDA and PAT Margins



Source : RBL Research

## P&amp;L Account – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
<b>Net sales</b>	<b>2,529</b>	<b>2,732</b>	<b>3,141</b>	<b>3,612</b>
<b>Expenditure</b>				
Total raw material cost	1,824	1,913	2,215	2,549
Employee cost	193	257	275	273
Other expenses	361	413	463	485
Total expenditure	2,378	2,582	2,954	3,307
<b>EBITDA</b>	<b>151</b>	<b>149</b>	<b>187</b>	<b>305</b>
<b>EBITDAM (%)</b>	<b>6.0</b>	<b>5.5</b>	<b>6.0</b>	<b>8.4</b>
Other income	27	24	26	32
Depreciation	54	60	69	77
<b>PBIT</b>	<b>124</b>	<b>113</b>	<b>145</b>	<b>260</b>
Interest expenses	22	24	26	27
<b>PBT</b>	<b>102</b>	<b>89</b>	<b>119</b>	<b>232</b>
Tax	26	25	30	58
<b>PAT</b>	<b>76</b>	<b>64</b>	<b>89</b>	<b>174</b>
Exceptional Items	-	19	-	-
<b>Reported PAT</b>	<b>76</b>	<b>82</b>	<b>89</b>	<b>174</b>
<b>PATM (%)</b>	<b>3.0</b>	<b>3.0</b>	<b>2.8</b>	<b>4.8</b>

Source : RBL Research

## Balance Sheet – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	21	21	21	21
Reserves & Surplus	563	646	735	909
<b>Total Shareholder's Fund</b>	<b>585</b>	<b>667</b>	<b>756</b>	<b>930</b>
<b>Non-Current Liabilities</b>				
Total borrowings	10	10	10	10
Other long term liabilities	78	108	123	133
Long term provision	19	29	37	40
<b>Current Liabilities</b>				
Trade payables	453	489	563	647
Short term provisions	32	34	39	45
Other current liabilities	80	86	99	114
<b>Total Liabilities</b>	<b>1,256</b>	<b>1,423</b>	<b>1,627</b>	<b>1,919</b>
Fixed Assets	215	255	306	344
Current work in process	83	83	83	83
Intangible assets	22	22	22	22
Other non-current assets	27	32	38	43
Long term loans and advances	15	30	50	65
Deferred Tax Assets	25	26	28	30
<b>Current Assets</b>				
Inventories	285	307	354	407
Trade receivables	372	402	462	531
Cash & Cash equivalents	164	214	224	325
Other current assets	49	52	60	69
<b>Total Assets</b>	<b>1,256</b>	<b>1,423</b>	<b>1,627</b>	<b>1,919</b>

Source : RBL Research

**Cashflow – standalone**

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Reported PBT	102	89	119	232
Depreciation	54	60	69	77
Tax paid	(26)	(25)	(30)	(58)
Working capital Change	72	(11)	(23)	(26)
<b>Operating Cash Flow (a)</b>	<b>201</b>	<b>113</b>	<b>135</b>	<b>225</b>
Capex	(158)	(100)	(120)	(115)
Free Cash Flow	44	13	15	110
Investments	(16)	(20)	(26)	(20)
<b>Investing Cash Flow (b)</b>	<b>(174)</b>	<b>(120)</b>	<b>(146)</b>	<b>(135)</b>
Debt Issuance/ (Repaid)	(5)	-	-	-
Dividend Paid	(51)	(53)	(85)	(106)
Others	42	111	106	117
<b>Financing Cash Flow (c)</b>	<b>(14)</b>	<b>58</b>	<b>21</b>	<b>11</b>
<b>Net Cash Flow (a + b + c)</b>	<b>14</b>	<b>50</b>	<b>10</b>	<b>101</b>
Closing Cash	164	214	224	325

Source : RBL Research

**Key ratios – standalone**

Particulars	FY23	FY24E	FY25E	FY26E
<b>Per Share Ratios (Rs)</b>				
Dividend per share	2.4	2.5	4.0	5.0
EPS	3.6	3.0	4.2	8.2
CEPS	6.1	5.8	7.5	11.8
Book value per share	27.5	31.4	35.6	43.8
<b>Profitability Ratios (%)</b>				
EBITDA Margin	6.0	5.5	6.0	8.4
PBT Margin	4.0	3.2	3.8	6.4
Net Profit Margin	3.0	2.3	2.8	4.8
RoCE	16.2	12.8	15.0	22.8
RoE	13.5	10.2	12.5	20.6
Dividend Yield	0.9	0.9	1.5	1.9
<b>Efficiency</b>				
Inventory (Days)	41	41	41	41
Creditor (Days)	77	77	77	77
Debtor (Days)	54	54	54	54
Interest Cover Ratio (x)	5.6	4.6	5.6	9.5
Current ratio (x)	1.2	1.2	1.2	1.2
<b>Valuation Ratios (x)</b>				
P/E	61.6	56.7	52.4	26.9
P/B	8.0	7.0	6.2	5.0
EV/EBITDA	29.9	30.0	23.8	14.3

Source : RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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