

January 29, 2025

RESULT REPORT Q3 FY25 | Sector: Consumer Durables

Orient Electric Ltd

Stock price correction overdone; reiterate BUY

Result Synopsis

Orient Electric (ORIENTEL) revenue growth of 8.6% was 4.9% lower than our estimates. ECD has witnessed lower than expected growth, with ECD revenue growing 7.3% yoy, while lighting revenue grew 11.9% yoy despite pricing challenges on B2C consumer lighting side. Sluggish demand post the festive season and delayed start to winters impacted ECD growth. On the gross margin front various actions taken by the company is bearing fruits resulting in higher gross margin. Gross margin stood at 31.7% showing expansion of 184bps. EBITDA margin has improved on both yoy and sequential basis, it's still lower than estimates as employee cost has shot up 18% as company hired various mid-level and top-level management as it is gearing for strong growth. The company has also started to manufacture ceiling fans in the Hyderabad plant and ramp up is underway as company gets ready for the summer season. ORIENTEL is targeting to grow faster than the industry in the medium term as investments are being made to achieve strong growth. On the margin front company expects margin to be in high single digit in Q4 and it has endeavor to reach double digit margins which it believes can achieve in Q1FY26 if summer continues to remain strong. Given the investments that company is undertaking for strong growth in domestic markets and new exports opportunity we expect company to deliver industry leading growth with margins improving from next fiscal. We continue to remain positive on the stock and reiterate our BUY rating with PT of Rs274 valuing 33x on FY27. We believe stock has over corrected and at CMP it provides excellent entry point for medium to long term investment.

We are anticipating revenue CAGR of 13%, and EBITDA and PAT CAGR of 32% and 33% respectively for FY24-27E. We have modelled EBITDA margins to be ~8.3% in FY27 which we believe can be achieved given the work the company has on the cost savings. ORIENTEL is expected to outperform peers and could lead to further market share gains. We believe if strategy executed well could result in strong growth in medium term.

Result Highlights

- Quarter Summary** - Revenue missed estimates as demand has been sluggish post the festive season and there has been delayed start to the winter. The company has gained market share in B2C consumer lighting.
- ECD Segment** - ECD segment has seen growth of 7.3% yoy driven by new product launches and premiumization. BLDC Fans has registered 60% growth vs last year. Hyderabad plant operations have stabilized contributing to the growth.
- Margins** - Gross Margin has expanded by 184bps YoY, it is expected to sustain at ~31-33% range, with improvement in product mix, channel optimization with DTM, and premiumization across product categories. EBITDA Margin improved to 7.5% due to Spark Sanchay and other cost optimization initiatives.
- Lighting** - Lighting segment saw an increase in share of luminaries on back of premiumization and strong traction in B2B, with execution of key projects in Street Lighting

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	8,168	8590	8295	-4.9%	-1.5%	Sluggish demand post festive season has resulted revenue miss
EBITDA	612	609	569	0.5%	7.6%	
EBITDA Margin (%)	7.5%	7.1%	6.9%	40 bps	63 bps	
Adjusted PAT	272	275	246	-1.4%	10.6%	

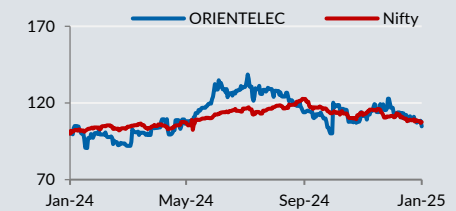
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 220
Target Price	: Rs 274
Potential Return	: +24.6%

Stock data (as on Jan 29, 2025)

Nifty	23,163
52 Week h/l (Rs)	297/189
Market cap (Rs/USD mn)	47408/547
Outstanding Shares (mn)	213
6m Avg t/o (Rs mn):	100
Div yield (%):	0.7
Bloomberg code:	ORIENTEL IN
NSE code:	ORIENTELC

Stock performance



	1M	3M	1Y
Absolute return	-10.4%	-10.4%	3.3%

Shareholding pattern (As of Dec'24 end)

Promoter	38.3%
FII+DII	34.9%
Others	26.8%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	274	293

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	6.4	8.3
EPS (Old)	7.0	9.2
% change	-8.6%	-9.8%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	31,049	36,095	40,224
YoY Growth	10.4%	16.3%	11.4%
EBITDA	2,080	2,743	3,339
YoY Growth	44.1%	31.9%	21.7%
PAT	916	1,371	1,773
YoY Growth	21.7%	49.7%	29.3%
ROE	13.8	18.8	21.6
EPS	4.3	6.4	8.3
P/E	51.3	34.3	26.5
BV	32.4	36.1	40.9
EV/EBITDA	22.3	16.7	13.5

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Exhibit 2: Quarterly snapshot (Standalone)

Particulars (Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	y/y %	q/q %	9MFY25	9MFY24	y/y %
Sales	7,519	7,877	7,549	6,602	8,168	8.6	23.7	22,318	20,245	10.2
EBITDA	489	307	401	357	612	25.0	71.6	1,369	1,136	20.5
EBITDA Margin %	6.5	3.9	5.3	5.4	7.5					
Depreciation	150.4	154.8	175.4	196.1	201.6	34.0	2.8	573	435	31.6
EBIT	339	153	225	160	410	21.0	155.7	796	700	13.6
EBIT Margin %	4.5	1.9	3.0	2.4	5.0			3.6	3.5	
Interest charges	54	68	57	60	61	13.4	1.3	178	165	8.3
Other Income	42.8	50.4	24.7	41.9	16.9	(60.5)	(59.7)	84	105	(20.5)
PBT	328	135	193	142	366	11.6	157.3	701	828	(15.3)
Tax	84.7	6.9	49.2	37.9	94.5	11.6	149.3	182	203	(10.5)
Effective Tax Rate (%)	25.8	5.1	25.5	26.6	25.8			25.9	24.5	
PAT	243	128	143	104	272	11.7	160.2	520	625	(16.8)
PAT Margin %	3.2	1.6	1.9	1.6	3.3			2.3	3.1	
EPS (Rs)	1.1	0.6	0.7	0.5	1.3	11.7	160.2	2.4	2.9	(16.8)

Source: Company, YES Sec

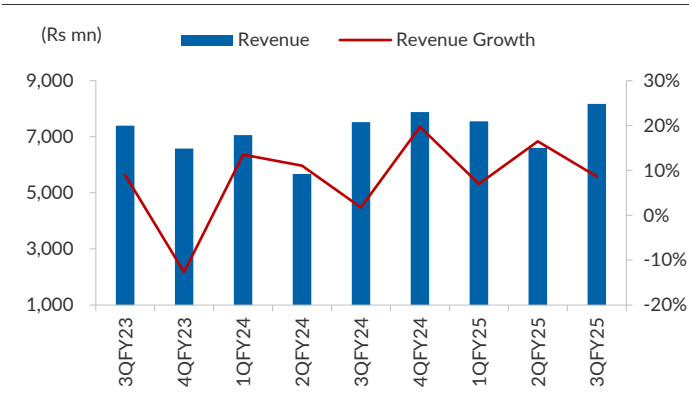
Exhibit 3: Segmental Performance

Rs mn	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	y/y %	q/q %	9MFY25	9MFY24	y/y %
Electrical consumer durable	5,352	5,691	5,449	4,395	5,743	7.3	30.7	15,587	14,137	10.3
Lighting & Switchgears	2,167	2,186	2,100	2,206	2,425	11.9	9.9	6,731	6,108	10.2
Net Sales	7,519	7,877	7,549	6,602	8,168	8.6	23.7	22,318	20,245	10.2
PBIT										
Electrical consumer durable	602.8	465.0	494.0	388.5	643.1	6.7	65.5	1,526	1,391	9.7
PBIT %	11.3	8.2	9.1	8.8	11.2			9.8	9.8	
Lighting & Switchgears	306.9	280.8	389.8	299.7	321.8	4.9	7.4	1,011	883	14.5
PBIT %	14.2	12.8	18.6	13.6	13.3			15.0	14.5	
Total PBIT	910	746	884	688	965	6.1	40.2	2,537	2,275	11.5
Finance Costs	37.1	50.9	40.9	41.8	46.1	24.3	10.3	129	113	14.0
Unallocable expense	545	560	650	504	553	1.5	9.6	1,707	1,521	12.3
as % of sales	7.2	7.1	8.6	7.6	6.8			7.6	7.5	
PBT	328	135	193	142	366	11.6	157.3	701	641	9.4

Source: Company, YES Sec

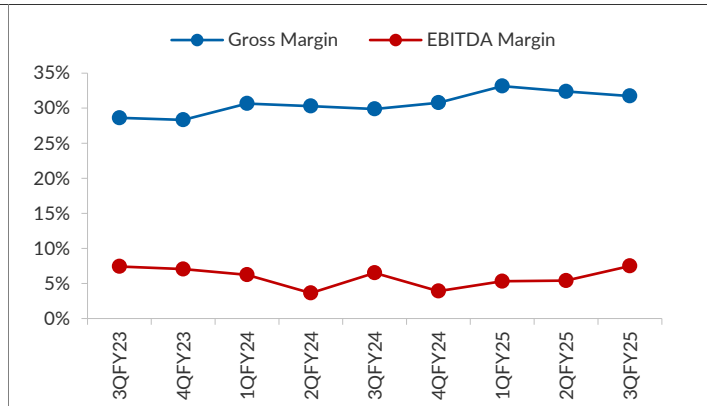
CHARTS

Exhibit 4: Encouraging growth from newer categories in premium fans and lighting led to overall topline growth



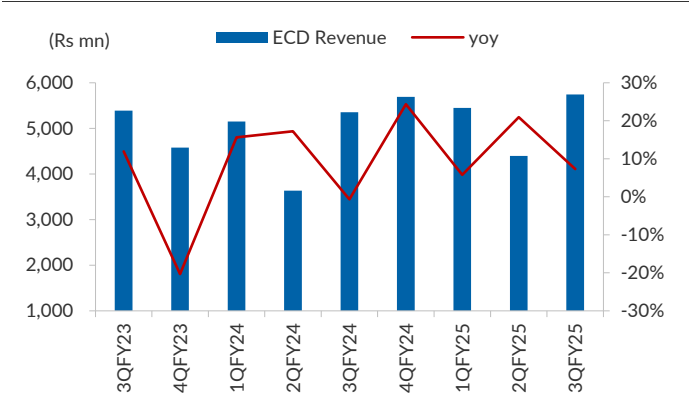
Source: Company, YES Sec

Exhibit 5: Premiumization across product portfolio coupled with cost saving initiatives has resulted in gross margin expansion



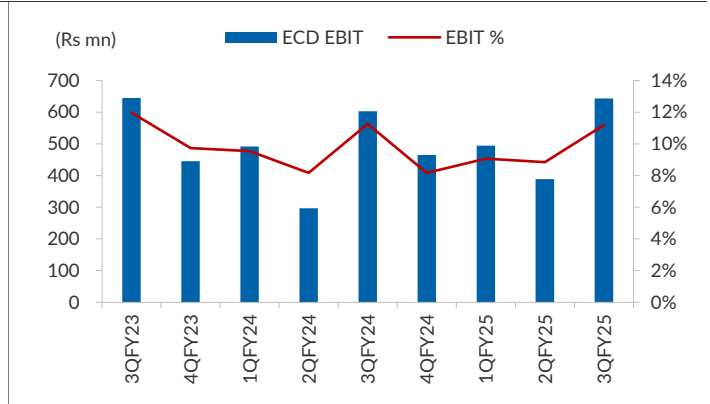
Source: Company, YES Sec

Exhibit 6: Sluggish demand post festive season and delayed start to the winter has resulted in muted growth



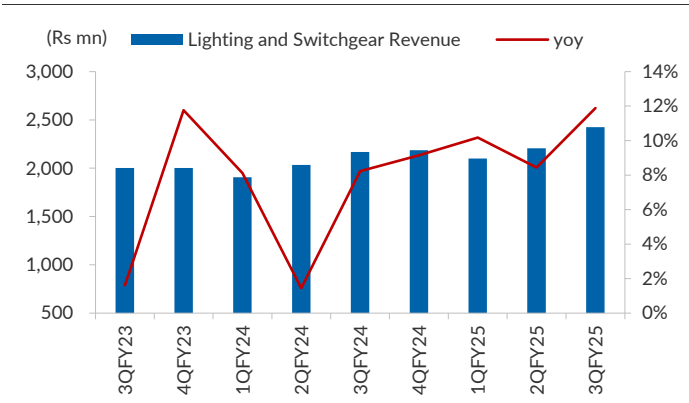
Source: Company, YES Sec

Exhibit 7: EBIT margins have expanded on back of improved product mix



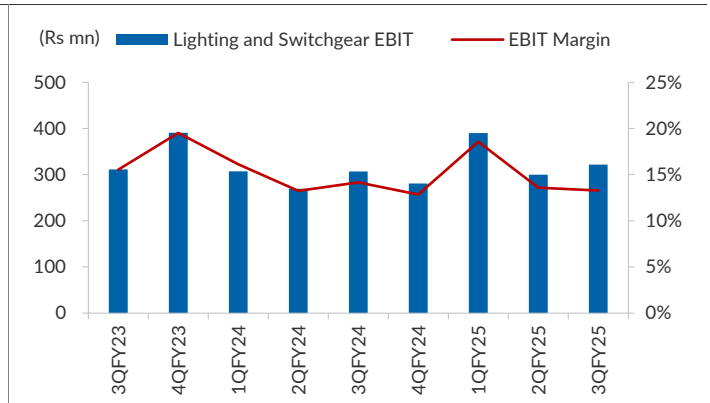
Source: Company, YES Sec

Exhibit 8: Consumer Lighting and switchgear continues to register high double-digit volume growth



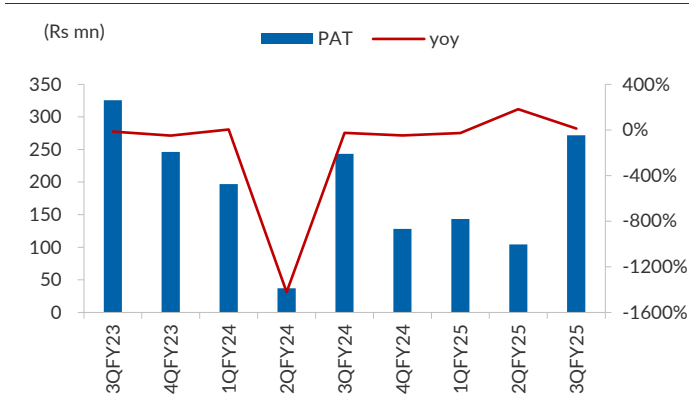
Source: Company, YES Sec

Exhibit 9: EBIT margins maintained despite the impact of continuous price erosion in B2C lighting



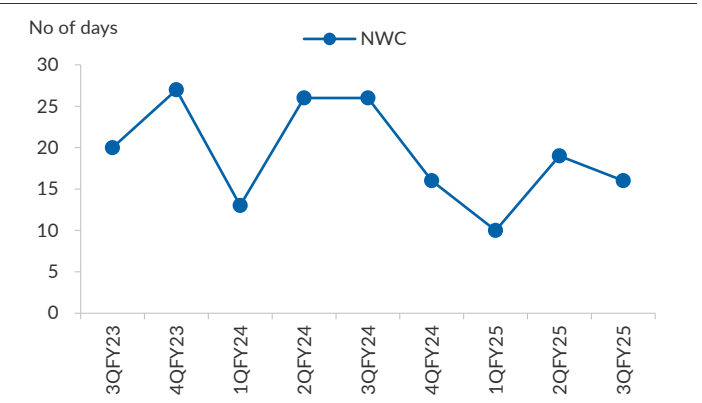
Source: Company, YES Sec

Exhibit 10: PAT growth is in line with EBITDA



Source: Company, YES Sec

Exhibit 11: Net working capital cycle has seen improvement



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Quarter Summary-** In first phase during the quarter October saw robust growth largely driven by festival season. In second phase immediately after the festive season demand has been sluggish. In the third phase of the quarter in month of December there has been demand recovery. Early summer trend gives the confidence of better performance in going forward
- **Strategy-** The company is focusing on preimmunizing across the product category where the mix of the premium lighting is ~50% and 50% come from traditional lamps. The company has also launched new premium water heater and started digital campaign for the same. The company is also looking to preimmunize its switchgear portfolio.
- **Fans –** On the Fans front project Orange and Project spotlight has enabled the company to significant growth in BLDC and IOT fans which has grown by 60% in the lean season. BLDC and IOT fans contribute 20% of the total fans sold by the company. Premium and Decorative fans contribution has been 30-31% which company wants to take it up to 40-45%.
- **Lighting-** There has been high double-digit growth in volume terms for consumer lighting. The company has gained market share in consumer lighting. B2B has been seen promising growth, which should continue going forward.
- **Market share –** The company has gained market share in the Key categories of Fans and lighting.
- **Gross margins –** Premiumization across the product portfolio has resulted in gross margin expansion. The endeavor of the company is to maintain it at 31-33%.
- **Early summer indication-** The company is witnessing early summer demand in North and East, which is a good sign. February will give indication of summer season ahead.
- **Master distributors vs DTM-** Revenue mix from master distributors and DTM stands at 70%-30% respectively. The company is witnessing market share gains in the DTM markets.
- **Lighting business –** B2B tender business is getting tailwind of infrastructure development. Bulbs and battens are under the price erosion, however, there has been some slowdown in price erosion. The company is gaining market share in B2C lighting
- **Wires –** The company sees potential in the wires business, the way forward strategy is being worked out. Currently the company is testing the waters in wires segment.
- **New hiring –** There are couple of positions needs to be filled. Largely the hiring has been done and team is in place to focus on growth.

FINANCIALS

Exhibit 12: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	213	213	213	213	213
Reserves	5,634	6,176	6,702	7,490	8,509
Net worth	5,846	6,389	6,916	7,703	8,722
Debt	101	209	230	268	299
Deferred tax liab (net)	0	0	0	0	0
Other non current liabilities	964	943	980	1,032	1,073
Total liabilities	6,912	7,541	8,126	9,003	10,094
Fixed Asset	2,476	3,788	3,731	3,665	3,576
Investments	0	373	373	373	373
Other Non-current Assets	1,636	1,527	1,608	1,667	1,660
Net Working Capital	1,164	1,196	1,645	1,950	2,199
Inventories	2,846	3,151	3,845	4,470	4,981
Sundry debtors	3,560	4,620	5,061	5,884	6,557
Loans and Advances	22	31	34	40	45
Sundry creditors	4,530	5,439	6,031	7,011	7,813
Other current liabilities	894	1,225	1,326	1,501	1,643
Cash & equivalents	1,636	657	769	1,347	2,285
Total Assets	6,912	7,541	8,126	9,003	10,094

Source: Company, YES Sec

Exhibit 13: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	25,292	28,121	31,049	36,095	40,224
Operating profit	1,506	1,443	2,080	2,743	3,339
Depreciation	535	590	784	886	993
Interest expense	222	233	173	201	224
Other income	270	155	113	194	271
Profit before tax	1,019	776	1,236	1,850	2,393
Taxes	261	210	320	479	620
Minorities and other	-	-	-	-	-
Adj. profit	758	566	916	1,371	1,773
Exceptional items	-	187	-	-	-
Net profit	758	379	916	1,371	1,773

Source: Company, YES Sec

Exhibit 14: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	1,241	1,008	1,409	2,051	2,616
Depreciation	535	590	784	886	993
Tax paid	(261)	(210)	(320)	(479)	(620)
Working capital Δ	712	(405)	(450)	(305)	(249)
Other operating items					
Operating cashflow	2,227	983	1,423	2,153	2,740
Capital expenditure	(1,338)	(1,902)	(727)	(821)	(904)
Free cash flow	889	(919)	696	1,332	1,836
Equity raised	9	484	(0)	-	-
Investments	-	-	-	-	-
Debt financing/disposal	(62)	108	22	37	31
Interest paid	(222)	(233)	(173)	(201)	(224)
Dividends paid	(319)	(320)	(389)	(583)	(754)
Net Δ in cash	135	(980)	112	578	937

Source: Company, YES Sec

Exhibit 15: Du-pont analysis

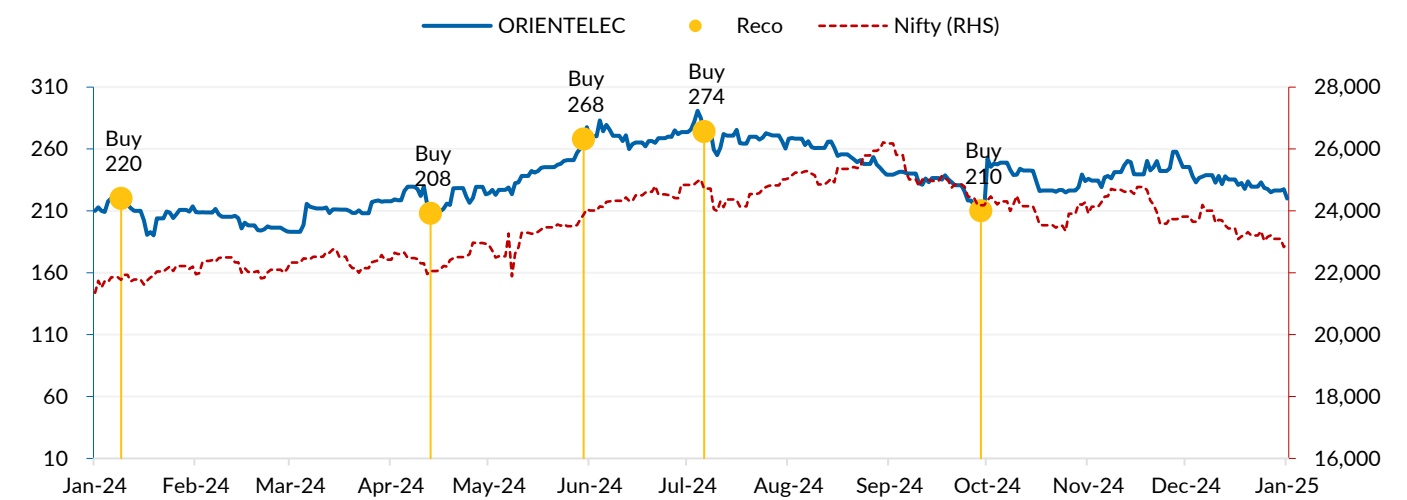
Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.74	0.73	0.74	0.74	0.74
Interest burden (x)	0.82	0.77	0.88	0.90	0.91
EBIT margin (x)	0.05	0.04	0.05	0.06	0.07
Asset turnover (x)	2.06	2.07	2.05	2.14	2.12
Financial leverage (x)	2.18	2.22	2.28	2.31	2.31
RoE (%)	13.5	9.2	13.8	18.8	21.6

Exhibit 16: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)					
Revenue growth	3.3	11.2	10.4	16.3	11.4
Op profit growth	(34.9)	(4.2)	44.1	31.9	21.7
EBIT growth	(34.7)	(18.7)	39.7	45.6	27.6
Net profit growth	(40.1)	(25.4)	61.8	49.7	29.3
Profitability ratios (%)					
OPM	6.0	5.1	6.7	7.6	8.3
EBIT margin	4.9	3.6	4.5	5.7	6.5
Net profit margin	3.0	2.0	2.9	3.8	4.4
RoCE	21.6	16.1	20.5	27.1	30.8
RoNW	13.5	9.2	13.8	18.8	21.6

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
RoA	6.2	4.2	6.0	8.1	9.4
Per share ratios					
EPS	3.6	2.7	4.3	6.4	8.3
Dividend per share	1.5	1.5	1.8	2.7	3.5
Cash EPS	6.1	5.4	8.0	10.6	13.0
Book value per share	27.5	29.9	32.4	36.1	40.9
Valuation ratios					
P/E	61.7	123.8	51.3	34.3	26.5
P/CEPS	36.2	35.0	27.6	20.8	17.0
P/B	8.0	7.3	6.8	6.1	5.4
EV/EBIDTA	30.1	32.2	22.3	16.7	13.5
Payout (%)					
Dividend payout	42.1	56.6	42.5	42.5	42.5
Tax payout	25.6	27.1	25.9	25.9	25.9
Liquidity ratios					
Debtor days	51.4	60.0	59.5	59.5	59.5
Inventory days	41.1	40.9	45.2	45.2	45.2
Creditor days	65.4	70.6	70.9	70.9	70.9

Recommendation Tracker



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Analyst signature

Analyst signature

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