

# Orient Electric

## Navigating headwinds; margin key focus

We met Orient Electric's management—Mr. Ravindra Singh Negi (MD and CEO) and Mr. Arvind Vats (CFO). Management attributed the weak Q1 performance to unfavorable monsoon conditions, which led to dealer destocking. Except elevated channel inventory in coolers, the inventory for other categories is at normal levels now. The company is optimistic of a demand revival, aided by festive season sale. It expects topline to touch INR 50bn in the next 3-4 years, growing at 13–14% CAGR, led by 1.5x industry growth in its core category. It also expects improved margin, led by premiumization of product, better gross margin, operating leverage gains, and lower brand spending as a percentage of sales. As a result, management expects EBITDA margin to reach double digits by FY27-end. We model a 9% CAGR for revenue, 21% for EBITDA, and 36% for APAT over FY25-27E. We retain BUY with an unchanged TP of INR 275/sh (38x Mar-27E EPS).

- **Demand and guidance:** Management noted that Q1 performance was weak due to unfavorable monsoon conditions, which resulted in dealer destocking. Except for elevated channel inventory in coolers, the other categories saw inventory at normal levels. The company is optimistic of demand revival, aided by the festive season. It expects topline to reach INR 50bn in next 3-4 years, a CAGR of 13–14%, by growing at 1.5x industry growth in its core category. While the water heaters business is expected to at least double in the next 2–3 years, switchgear and wires too are expected to deliver robust growth on a low base. It aims to improve gross margin by 100bps to 33–33.5%, focusing on value-added mix and premiumization. Further, it expects 100–150bps from operating leverage gains and 50bps gain from ad spends. So, it is targeting double-digit EBITDA margin by FY27-end.
- **Segmental highlights:** (i) The company expects BLDC fans to drive growth in the fan segment. In Q1, BLDC fans grew by 50% YoY and currently account for a more than 20% share of the ceiling fan. (ii) The company expects the BEE rating change to increase costs across the industry; however, these costs will be passed through to the market. (iii) Management highlights continuous growth in the lighting segment and expects sustained momentum. (iv) Brand spends will be 4-5% of sales in FY26.
- **Other highlights and outlook:** We expect demand to pick up, which could accelerate growth. Key factors like a potential interest rate cut and reduction in income tax for the middle class are likely to boost demand. Our projections for FY25-27E include a 9-10% growth in both electric consumer durable and lighting segments. We also expect the company to gain market share, which will expand the margin. Our financial model forecasts a 9% CAGR for revenue, 21% for EBITDA, and 36% for APAT over the same period. We retain estimates, the BUY rating, as well as the TP of INR 275/sh (38x Mar-27E EPS).

### Financial summary (INR mn)

Year Ending March	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	24,484	25,292	28,121	30,937	33,473	36,919
EBITDA	2,313	1,506	1,443	2,037	2,407	2,970
APAT	1,266	758	566	832	1,135	1,538
Diluted EPS (Rs)	6.0	3.6	2.7	3.9	5.3	7.2
P/E (x)	34.3	57.5	77.3	52.6	38.5	28.4
EV / EBITDA (x)	18.2	27.9	29.7	21.2	17.2	13.7
RoE (%)	25.4	13.5	9.3	12.5	15.5	18.8

Source: Company, HSIE Research

**BUY**

CMP (as on 08 Aug 2025)	INR 205
Target Price	INR 275
NIFTY	24,363

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 275	INR 275
	FY26E	FY27E
EPS %	-	-

### KEY STOCK DATA

Bloomberg code	ORIENTEL IN
No. of Shares (mn)	213
MCap (INR bn) / (\$ mn)	44/499
6m avg traded value (INR mn)	43
52 Week high / low	INR 284/177

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(13.0)	(14.8)	(24.6)
Relative (%)	(12.4)	(17.4)	(25.9)

### SHAREHOLDING PATTERN (%)

	Mar-25	Jun-25
Promoters	38.31	38.31
FIs & Local MFs	27.95	28.10
FPIs	6.92	6.87
Public & Others	26.82	26.72
Pl edged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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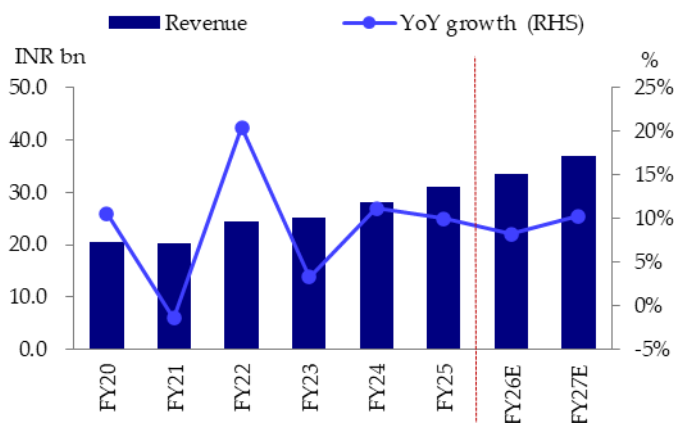
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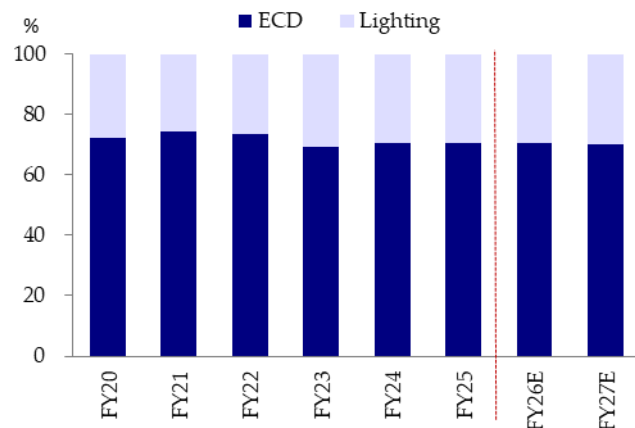
## Orient Electric: Company Update

### Revenue to grow at 9% CAGR over FY25-27E



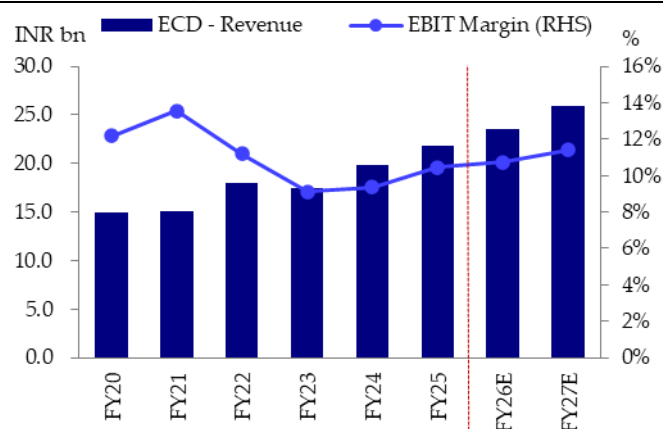
Source: Company, HSIE Research

### Segmental revenue mix will remain same



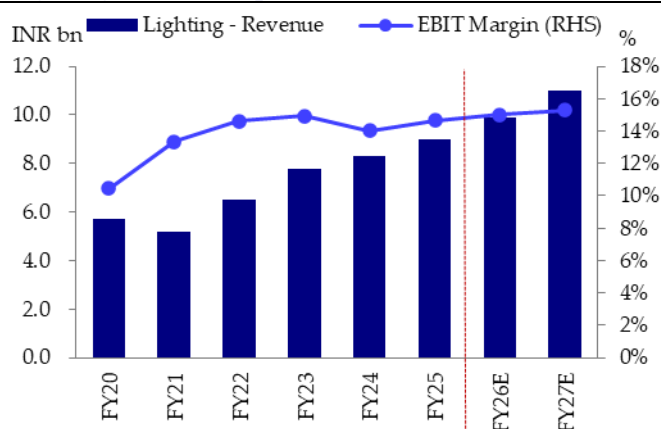
Source: Company, HSIE Research

### ECD revenue to grow at 9% CAGR over FY25-27E



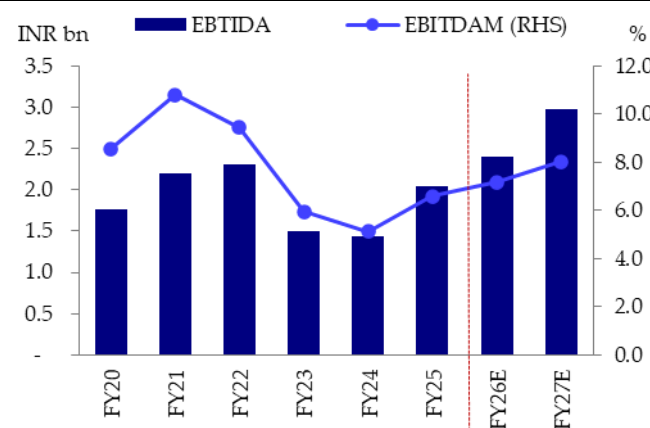
Source: Company, HSIE Research

### Lighting revenue to post 10% CAGR over FY25-27E.



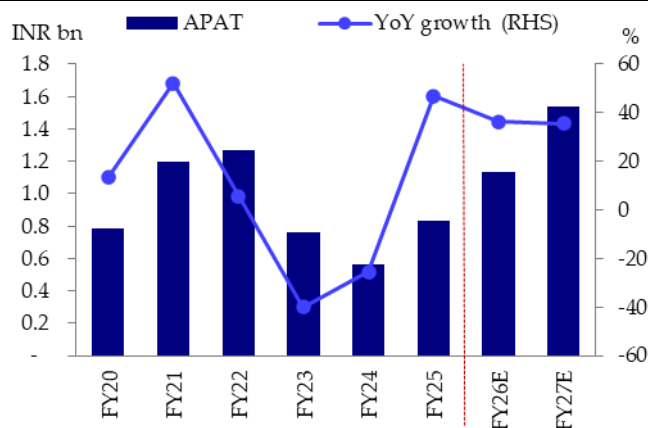
Source: Company, HSIE Research

### We project 21% EBITDA CAGR during FY25-27E



Source: Company, HSIE Research

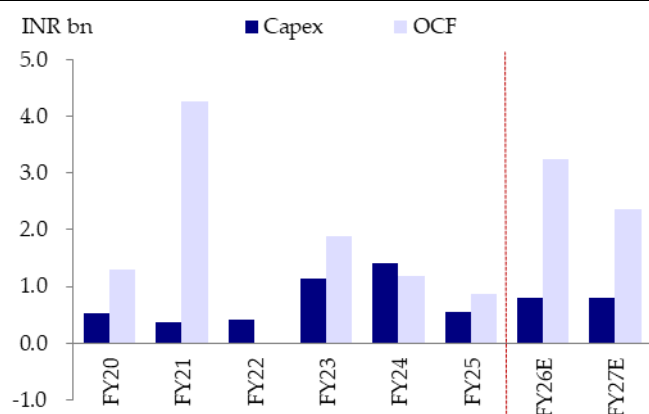
### APAT to register healthy 36% CAGR during FY25-27E



Source: Company, HSIE Research

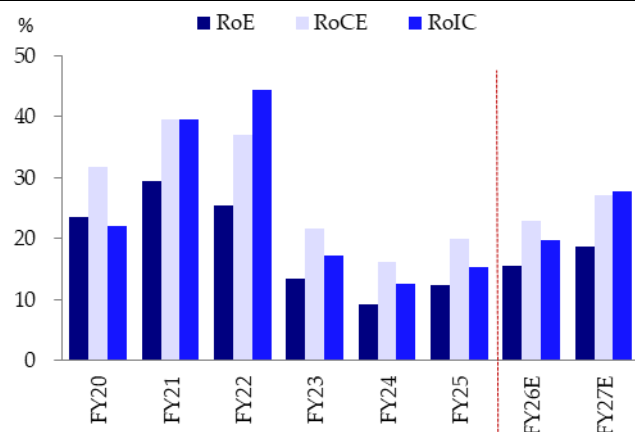
# Orient Electric: Company Update

## OCF to remain healthy, capex to be funded internally



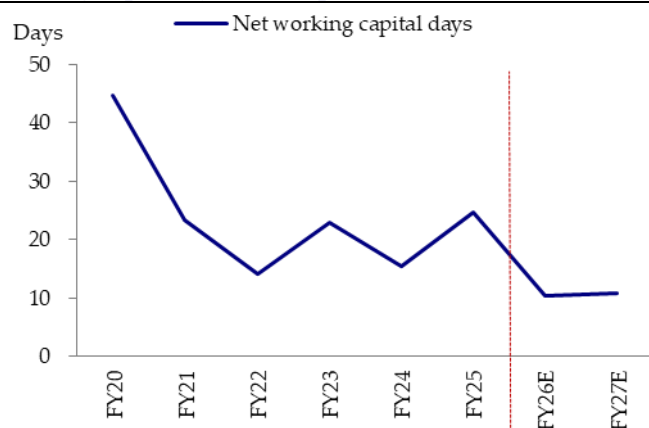
Source: Company, HSIE Research

## Return ratios profile to improve



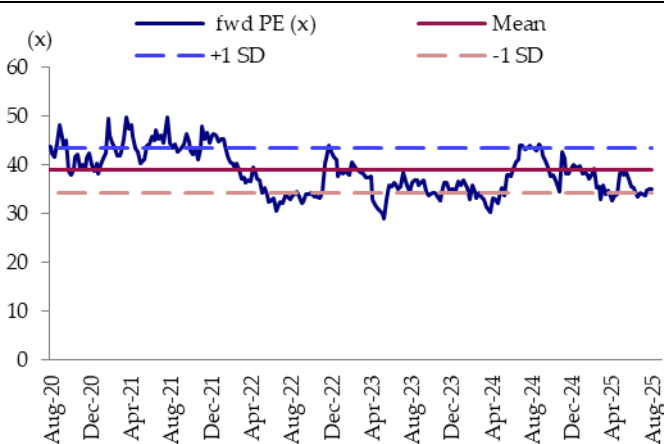
Source: Company, HSIE Research

## Working capital cycle to improve



Source: Company, HSIE Research

## 1-yr forward P/E trades at discount to 5-year average



Source: Company, HSIE Research

### Consolidated Income Statement

Year end march (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Net Revenues</b>	<b>24,484</b>	<b>25,292</b>	<b>28,121</b>	<b>30,937</b>	<b>33,473</b>	<b>36,919</b>
Growth (%)	20.5	3.3	11.2	10.0	8.2	10.3
Material Expenses	17,666	18,242	19,570	20,996	22,628	24,884
Employee Expense	1,905	1,926	2,589	3,061	3,180	3,470
Other Expenses	2,600	3,618	4,519	4,843	5,258	5,595
<b>EBITDA</b>	<b>2,313</b>	<b>1,506</b>	<b>1,443</b>	<b>2,037</b>	<b>2,407</b>	<b>2,970</b>
EBITDA Growth (%)	5.4	(34.9)	(4.2)	41.1	18.2	23.4
<b>EBITDA Margin (%)</b>	<b>9.4</b>	<b>6.0</b>	<b>5.1</b>	<b>6.6</b>	<b>7.2</b>	<b>8.0</b>
Depreciation	471	535	590	791	836	907
<b>EBIT</b>	<b>1,842</b>	<b>971</b>	<b>853</b>	<b>1,246</b>	<b>1,571</b>	<b>2,063</b>
Other Income (Including EO Items)	58	270	155	118	133	181
Interest	203	222	233	242	180	180
<b>PBT</b>	<b>1,698</b>	<b>1,019</b>	<b>776</b>	<b>1,123</b>	<b>1,524</b>	<b>2,065</b>
Total Tax	431	261	210	290	389	526
Exceptional Gain/ (loss)	-	-	187	-	-	-
<b>RPAT</b>	<b>1,266</b>	<b>758</b>	<b>753</b>	<b>832</b>	<b>1,135</b>	<b>1,538</b>
<b>Adjusted PAT</b>	<b>1,266</b>	<b>758</b>	<b>566</b>	<b>832</b>	<b>1,135</b>	<b>1,538</b>
<b>APAT Growth (%)</b>	<b>5.8</b>	<b>(40.1)</b>	<b>(25.4)</b>	<b>47.0</b>	<b>36.4</b>	<b>35.5</b>
EPS	6.0	3.6	2.7	3.9	5.3	7.2
<b>EPS Growth (%)</b>	<b>5.8</b>	<b>(40.3)</b>	<b>(25.6)</b>	<b>47.0</b>	<b>36.5</b>	<b>35.5</b>

Source: Company, HSIE Research

### Consolidated Balance Sheet

Year end march (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>SOURCES OF FUNDS</b>						
Share Capital - Equity	212	213	213	213	213	213
Other Equity	5,201	5,634	6,176	6,730	7,492	8,443
<b>Total Shareholders' Funds</b>	<b>5,413</b>	<b>5,846</b>	<b>6,389</b>	<b>6,943</b>	<b>7,705</b>	<b>8,656</b>
Long Term Debt	-	-	-	-	-	-
Short Term Debt	147	101	209	171	121	71
<b>Total Debt</b>	<b>147</b>	<b>101</b>	<b>209</b>	<b>171</b>	<b>121</b>	<b>71</b>
Net Deferred Taxes	(263)	(255)	(302)	(342)	(327)	(306)
Other Non-Current Liabilities	739	964	943	754	732	715
<b>TOTAL SOURCES OF FUNDS</b>	<b>6,036</b>	<b>6,657</b>	<b>7,240</b>	<b>7,526</b>	<b>8,231</b>	<b>9,136</b>
<b>APPLICATION OF FUNDS</b>						
Net Block	1,424	1,272	1,396	3,660	3,752	3,860
Goodwill	-	-	-	-	-	-
CWIP	31	860	2,251	47	100	100
Intangible assets	219	183	142	127	153	165
Right of Use Assets	477	803	821	609	555	530
Non-Current Investments	-	-	-	-	-	-
Other Non-Current Assets	511	579	405	302	324	354
<b>Total Non-current Assets</b>	<b>2,661</b>	<b>3,696</b>	<b>5,014</b>	<b>4,746</b>	<b>4,884</b>	<b>5,010</b>
Current-Investments	-	-	373	141	641	1,341
Inventories	3,261	2,846	3,151	4,297	3,668	4,046
Debtors	3,904	3,560	4,620	5,128	4,585	5,057
Cash & Equivalents	1,505	1,642	663	548	1,763	1,689
Other Current Assets	280	647	387	346	374	412
<b>Total Current Assets</b>	<b>8,950</b>	<b>8,696</b>	<b>9,194</b>	<b>10,459</b>	<b>11,031</b>	<b>12,546</b>
Creditors	4,495	4,530	5,207	6,001	5,961	6,575
Other Current Liabilities & Provisions	1,080	1,205	1,761	1,679	1,723	1,845
<b>Total Current Liabilities</b>	<b>5,575</b>	<b>5,735</b>	<b>6,969</b>	<b>7,680</b>	<b>7,684</b>	<b>8,419</b>
<b>Net Current Assets</b>	<b>3,375</b>	<b>2,961</b>	<b>2,226</b>	<b>2,779</b>	<b>3,347</b>	<b>4,126</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>6,036</b>	<b>6,657</b>	<b>7,240</b>	<b>7,526</b>	<b>8,231</b>	<b>9,136</b>

Source: Company, HSIE Research

## Consolidated Cash Flow

Year end march (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	1,698	1,019	776	1,123	1,524	2,065
Non-operating & EO Items	30	(97)	83	(473)	(44)	(80)
Interest Expenses	203	222	233	242	180	180
Depreciation	471	535	590	791	836	907
Working Capital Change	(1,906)	567	(443)	(453)	1,138	(185)
Tax Paid	(508)	(349)	(57)	(353)	(389)	(526)
<b>OPERATING CASH FLOW ( a )</b>	<b>(13)</b>	<b>1,897</b>	<b>1,183</b>	<b>876</b>	<b>3,246</b>	<b>2,359</b>
Capex	(423)	(1,136)	(1,400)	(546)	(800)	(800)
Free Cash Flow (FCF)	(435)	761	(217)	330	2,446	1,559
Investments	1,172	(58)	(376)	213	(500)	(700)
Non-operating Income	33	95	70	43	51	92
Others	-	-	-	-	-	-
<b>INVESTING CASH FLOW ( b )</b>	<b>782</b>	<b>(1,099)</b>	<b>(1,705)</b>	<b>(290)</b>	<b>(1,249)</b>	<b>(1,408)</b>
Debt Issuance/(Repaid)	(57)	(46)	108	(38)	(50)	(50)
Interest Expenses	(38)	(34)	(37)	(27)	(180)	(180)
FCFE	(455)	749	(72)	319	2,576	1,689
Share Capital Issuance	-	89	84	-	-	-
Dividend	(424)	(425)	(320)	(320)	(373)	(587)
Others	(151)	(246)	(291)	(334)	(178)	(209)
<b>FINANCING CASH FLOW ( c )</b>	<b>(670)</b>	<b>(661)</b>	<b>(457)</b>	<b>(720)</b>	<b>(782)</b>	<b>(1,025)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>99</b>	<b>137</b>	<b>(979)</b>	<b>(134)</b>	<b>1,215</b>	<b>(74)</b>
EO Items, Others	-	-	187	-	-	-
Closing Cash & Equivalents	1,500	1,636	657	523	1,737	1,664

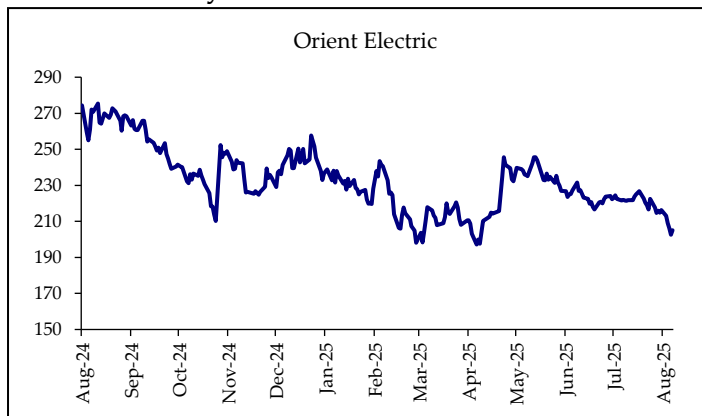
Source: Company, HSIE Research

## Key Ratios

Year end march	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>PROFITABILITY (%)</b>						
GPM	27.8	27.9	30.4	32.1	32.4	32.6
EBITDA Margin (%)	9.4	6.0	5.1	6.6	7.2	8.0
EBIT Margin	7.5	3.8	3.0	4.0	4.7	5.6
PBT Margin	6.9	4.0	2.8	3.6	4.6	5.6
APAT Margin	5.2	3.0	2.0	2.7	3.4	4.2
RoE	25.4	13.5	9.3	12.5	15.5	18.8
RoIC (or Core RoCE)	44.4	17.3	12.6	15.4	19.8	27.7
RoCE	37.0	21.6	16.1	19.9	22.8	27.1
<b>EFFICIENCY</b>						
Tax Rate (%)	25.4	25.6	27.1	25.9	25.5	25.5
Fixed Asset Turnover (x)	8.1	7.9	8.2	6.3	5.1	5.1
Inventory (days)	43	44	41	51	40	40
Debtors (days)	56	54	60	60	50	50
Other Current Assets (days)	5	7	5	4	4	4
Payables (days)	72	65	68	71	65	65
Other Current Liab & Provns (days)	17	16	23	20	19	18
Cash Conversion Cycle (days)	14	23	15	25	10	11
Net D/E (x)	(0.3)	(0.3)	(0.1)	(0.1)	(0.2)	(0.2)
Interest Coverage (x)	9.1	4.4	3.7	5.1	8.7	11.5
<b>PER SHARE DATA (Rs)</b>						
EPS	6.0	3.6	2.7	3.9	5.3	7.2
CEPS	8.2	6.1	5.4	7.6	9.2	11.5
Dividend	2.0	1.5	1.5	1.5	2.8	3.8
Book Value	25.5	27.5	29.9	32.5	36.1	40.6
<b>VALUATION</b>						
P/E (x)	34.3	57.5	77.3	52.6	38.5	28.4
P/BV (x)	8.0	7.5	6.8	6.3	5.7	5.1
EV/EBITDA (x)	18.2	27.9	29.7	21.2	17.2	13.7
EV/Revenues (x)	1.7	1.7	1.5	1.4	1.2	1.1
OCF/EV (%)	(0.0)	4.5	2.8	2.0	7.8	5.8
FCF/EV (%)	(1.0)	1.8	(0.5)	0.8	5.9	3.8
FCFE/Mkt Cap (%)	(1.0)	1.7	(0.2)	0.7	5.9	3.9
Dividend Yield (%)	1.0	0.7	0.7	0.7	1.3	1.8

Source: Company, HSIE Research

## 1 Yr Price History



## Rating Criteria

- BUY:** >+15% return potential  
**ADD:** +5% to +15% return potential  
**REDUCE:** -10% to +5% return potential  
**SELL:** >10% Downside return potential

### Disclosure:

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