

Accumulate

Strong growth in Q3, maintain Accumulate

- Q3 revenues, EBITDA and PAT grew by 25%, 86% and 173% YoY at Rs6.2bn, Rs842mn and Rs519mn respectively driven by strong growth in ECD. Cash balance on books remained healthy at Rs1.7bn compared to Rs842mn in Q2FY21 with healthy working capital management.
- Orient continued to grow under ECD segment with a growth of 42% in Q3 and higher margins by 250bps at 14.9%, though lighting declined 8% due to slowdown in B2B. Better ECD mix and focus on cost rationalization helped company to continue growth trajectory.
- Priority remains to shift towards optimum mix with 75% of revenues from ECD business vs 65% a year back; WC days have fallen to 18 days' vs 60 days in FY20. We like the premiumisation story of Orient and value it at 46x Sep22E, at an Accumulate rating with a TP of Rs290.

Stellar growth led by ECD business

Q3 recorded stellar growth in revenues at 25% YoY at Rs6.2bn led by 42% growth in ECD business, pushed by festive demand and pre-buying due to rising input prices. EBITDA came in at Rs842mn up by 86% YoY with margins rising by 448bps to 13.6% in Q3 due to slashed staff cost and other expenses by 9% and 16% YoY respectively; A&P expenses have been restored gradually. Finance charges came in lower by 30% YoY with lower WC borrowings, gross debt remained stable at Rs150mn levels. Better collections and higher proportion of channel financing led to fall in WC days by 42 days to 18 days in Q3 compared to FY20 levels, CCC days came in at 40 days in current quarter.

Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	6,183	4,957	24.7	4,338	42.6
Total Expense	5,342	4,504	18.6	3,760	42.1
EBITDA	842	453	86.0	578	45.8
Depreciation	108	104	4.0	107	1.0
EBIT	734	348	110.5	470	56.0
Other Income	7	12	(45.2)	7	(8.1)
Interest	46	66	(30.6)	45	2.7
EBT	694	295	135.6	433	60.4
Tax	175	104	67.9	109	60.8
RPAT	519	191	172.7	324	60.2
APAT	519	191	172.7	324	60.2
			(bps)		(bps)
Gross Margin (%)	31.0	34.1	(310)	33.3	(224)
EBITDA Margin (%)	13.6	9.1	448	13.3	30
NPM (%)	8.4	3.8	456	7.5	93
Tax Rate (%)	25.2	35.4	(1016)	25.1	7
EBIT Margin (%)	11.9	7.0	483	10.8	102

CMP	Rs 254
Target / Upside	Rs 290 / 14%
NIFTY	13,635

Scrip Details

Equity / FV	Rs 212mn / Rs 1
Market Cap	Rs 54bn
	USD 738mn
52-week High/Low	Rs 287/ 145
Avg. Volume (no)	379,930
Bloom Code	ORIENTEL IN

Price Performance	1M	3M	12M
Absolute (%)	11	20	8
Rel to NIFTY (%)	14	3	(4)

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	38.5	38.5	38.5
MF/Banks/FIs	21.2	22.0	23.0
FIIIs	5.1	6.1	7.5
Public / Others	35.2	33.4	31.0

Valuation (x)

	FY21E	FY22E	FY23E
P/E	55.7	46.5	35.4
EV/EBITDA	29.1	24.6	19.3
ROE (%)	25.2	26.3	29.5
RoACE (%)	23.6	22.4	24.7

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	19,302	23,163	26,329
EBITDA	1,850	2,211	2,770
PAT	966	1,156	1,522
EPS (Rs.)	4.6	5.4	7.2

VP - Research: Vinod Chari

Tel: +91 22 40969776

E-mail: vinodc@dolatcapital.com

Associate: Pranav Lala

Tel: +9122 40969722

E-mail: pranavl@dolatcapital.com

Continued focus on premiumization, expansion and better mix

All channels continued to grow on account of a fully restored supply chain and e-commerce grew 3x in Q3. ECD business grew 42% YoY mainly led by pre-buying due to expected material price hike, margins for appliances and fans came in better at 14.9% up by 250bps in Q3. WC in fans and appliances segment has reduced by 40 days and 20 days respectively on account of better inventory management, collections and credit terms. Although lighting and switchgear segment witnessed a decline of 8% in revenues due to slowdown in B2B order execution, there was an upsurge in traction witnessed from Tier 2 and 3 cities. Margins under lighting continued to improve with effective FG inventory and cost management and a targeted focus on high wattage lamps to push volumes.

Maintain Accumulate with TP of Rs290

The business remains strong underway to achieve its expansion and mix targets with ECD contribution to 75% of revenues vs 65% in Q3FY20; this has increased scope for channel financing in turn driving WC to 18 days. We have increased our margin assumptions for FY21 to factor in the 9M margins and the fact that Q4 is a seasonally strong quarter (Exhibit 1). We recommend buying the stock at a reasonable valuation and maintain Accumulate with a TP of Rs290at 46x Sep22E.

Exhibit 1: Change in estimates

(Rs Mn)	FY21E			FY22E			FY23E		
	Earlier	New	Change	Earlier	New	Change	Earlier	New	Change
Sales	19,302	19,302	0.0	23,163	23,163	0.0	26,329	26,329	0.0
EBITDA	1,407	1,850	31.5	2,124	2,211	4.1	2,655	2,770	4.3
EBITDA margins	7.3	9.6	229.6	9.2	9.5	37.8	10.1	10.5	43.5
PAT	618	966	56.4	1,055	1,156	9.6	1,463	1,522	4.0
EPS (Rs)	2.9	4.6	56.4	5.0	5.4	9.6	6.9	7.2	4.0

Source: Company, DART

Exhibit 2: Quarterly Performance

Particulars (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ(%)	YTD FY20	YTD FY21	YoY (%)
Net Revenue	4,957	5,631	1,788	4,338	6,183	24.7	42.6	14,987	12,309	(17.9)
Cost of materials consumed	2,088	1,979	156	1,290	1,945	(6.8)	50.9	5,754	3,391	(41.1)
Purchase of Stock in trade	(458)	176	570	35	(3)	(99.3)	(109.5)	(516)	601	(216.4)
Changes in Inventories, WIP & SIP	1,634	1,757	550	1,570	2,322	42.1	47.9	4,944	4,443	(10.1)
Total Raw Material Cost	3,265	3,912	1,275	2,894	4,265	30.6	47.3	10,182	8,434	(17.2)
Staff Expenditure	510	496	426	423	465	(8.8)	9.9	1,489	1,314	(11.7)
Other Expenses	729	572	279	443	612	(16.1)	38.3	2,204	1,333	(39.5)
EBITDA	453	652	(193)	578	842	86.0	45.8	1,112	1,227	10.3
Depreciation	104	106	107	107	108	4.0	1.0	296	322	9.0
EBIT	348	546	(299)	470	734	110.5	56.0	817	905	10.8
Other Income	12	15	9	7	7	(45.2)	(8.1)	26	23	(13.3)
Interest	66	77	63	45	46	(30.6)	2.7	184	153	(16.8)
PBT	295	484	(353)	433	694	135.6	60.4	658	774	17.6
Tax	104	126	(80)	109	175	67.9	60.8	230	204	(11.6)
Net Profit	191	358	(273)	324	519	172.7	60.2	428	571	33.2
Reported EPS	0.9	1.7	(1.3)	1.5	2.4	172.7	60.2	2.0	2.7	33.2

Source: Company, DART

Exhibit 3: Operating Cost as a % of Sales

Particulars	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ(%)	YTD FY20	YTD FY21	YoY(%)
Raw Material Cost	65.9	69.5	71.3	66.7	69.0	309.5	224.0	67.9	68.5	58.6
Staff Cost	10.3	8.8	23.8	9.8	7.5	(276.9)	(223.5)	9.9	10.7	74.2
Other Expenses	14.7	10.2	15.6	10.2	9.9	(481.1)	(30.5)	14.7	10.8	(387.4)

Source: Company, DART

Exhibit 4: Margins (%)

Particulars	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ(%)	YTD FY20	YTD FY21	YoY(%)
GM	34.1	30.5	28.7	33.3	31.0	(309.5)	(224.0)	32.1	31.5	(58.6)
EBITDA	9.1	11.6	(10.8)	13.3	13.6	448.5	30.0	7.4	10.0	254.7
EBIT	7.0	9.7	(16.7)	10.8	11.9	483.4	102.0	5.4	7.4	190.2
PBT	5.9	8.6	(19.8)	10.0	11.2	528.5	124.8	4.4	6.3	189.6
NPM	3.8	6.4	(15.3)	7.5	8.4	455.7	92.6	2.9	4.6	177.8

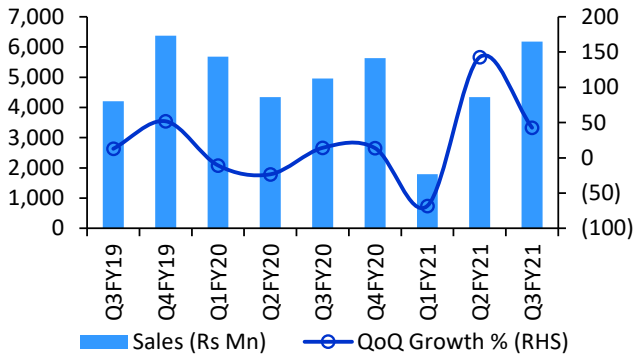
Source: Company, DART

Exhibit 5: Segment Performance

Revenue	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ(%)	YTD FY20	YTD FY21	YoY(%)
Revenue										
ECD	3248	4545	1035	3044	4605	41.8	51.3	10,371	8,683	-16.3
Lighting & Switchgear	1709	1086	753	1294	1579	(7.6)	22.0	4,615	3,626	-21.4
Total	4,957	5,631	1,788	4,338	6,183	24.7	42.6	14,987	12,309	-17.9
EBIT										
ECD	402	716	-71	512	685	70.3	33.9	1,101	1,126	2.2
Lighting & Switchgear	226	123	48	189	203	(9.9)	7.8	474	440	-7.0
EBIT Margin (%)										
ECD	12.4	15.8	-6.8	16.8	14.9	249.3	(11.5)	10.6	13.0	235
Lighting & Switchgear	13.2	11.3	6.4	14.6	12.9	(32.6)	(11.6)	10.3	12.1	188
Segment Capital employed										
ECD	2439	2159	1856	1016	1154	(52.7)	13.6	2,439	1,154	-52.7
Lighting & Switchgear	1918	1913	1809	1343	978	(49.0)	(27.2)	1,918	978	-49.0
Other Unallocable	-967	-478	-335	1200	1951	(301.9)	62.6	(967)	1,951	-301.9

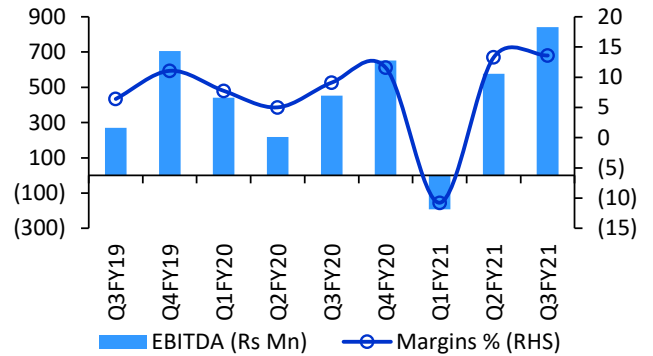
Source: Company, DART

Exhibit 6: Sales (Rs Mn) & QoQ Growth (%)



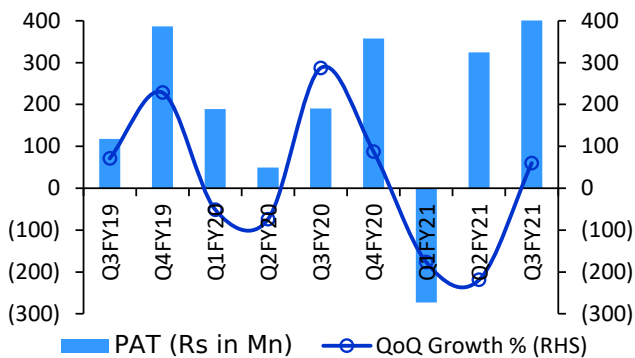
Source: Company, DART

Exhibit 7: EBITDA & QoQ Growth (%)



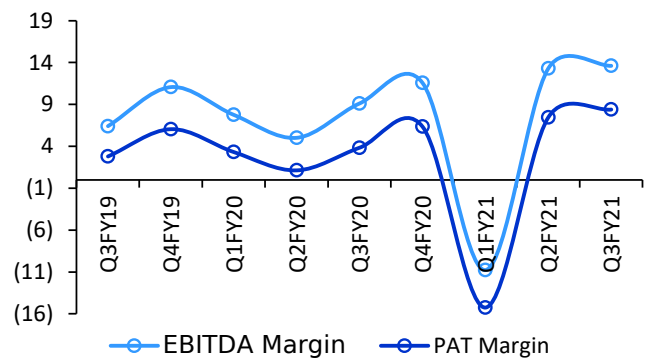
Source: Company, DART

Exhibit 8: PAT & QoQ Growth (%)



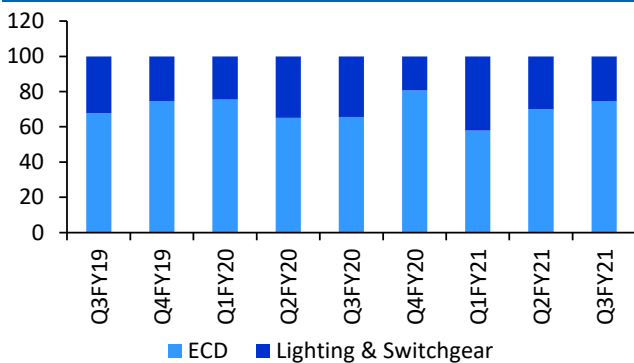
Source: Company, DART

Exhibit 9: Margin Trends (%)



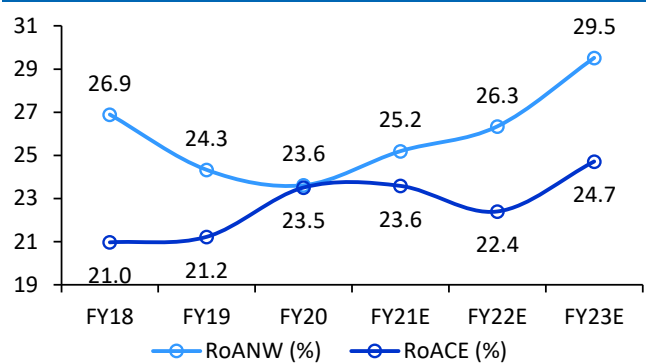
Source: Company, DART

Exhibit 10: Quarterly revenue contribution (%)



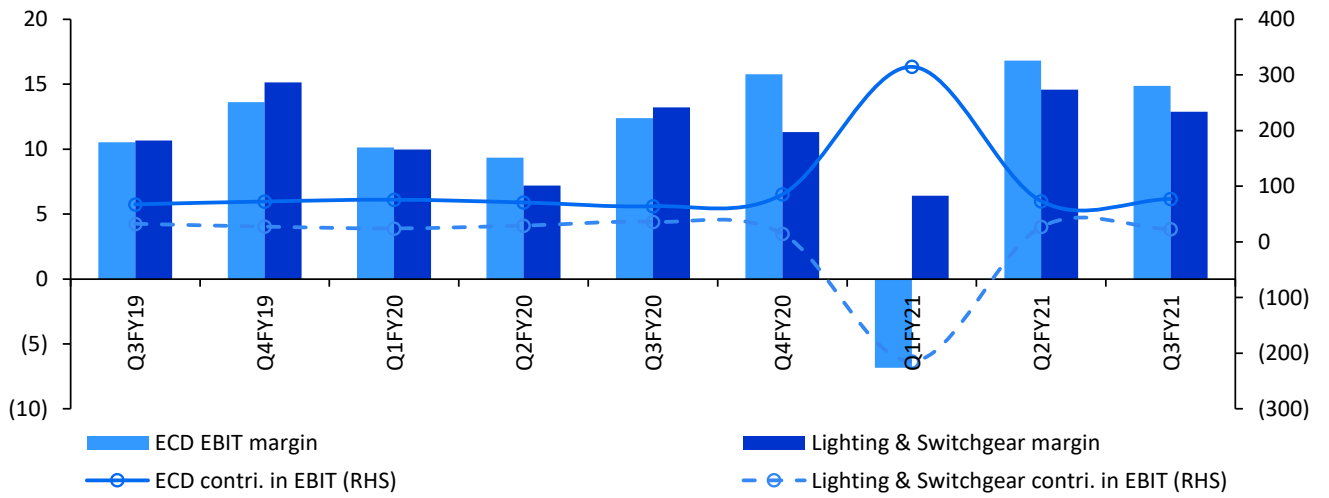
Source: Company, DART

Exhibit 11: Return Ratio



Source: Company, DART

Exhibit 12: QoQ EBIT margins and contribution



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	20,618	19,302	23,163	26,329
Total Expense	18,854	17,452	20,951	23,560
COGS	14,094	13,222	15,866	17,772
Employees Cost	1,985	1,834	2,200	2,501
Other expenses	2,776	2,396	2,884	3,286
EBIDTA	1,764	1,850	2,211	2,770
Depreciation	401	414	523	573
EBIT	1,363	1,436	1,688	2,196
Interest	261	202	236	268
Other Income	41	58	93	105
Exc. / E.O. items	0	0	0	0
EBT	1,143	1,291	1,545	2,034
Tax	357	325	389	512
RPAT	786	966	1,156	1,522
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	786	966	1,156	1,522

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	212	212	212	212
Minority Interest	0	0	0	0
Reserves & Surplus	3,382	3,865	4,488	5,399
Net Worth	3,594	4,078	4,700	5,611
Total Debt	947	1,265	2,358	1,785
Net Deferred Tax Liability	14	14	14	14
Total Capital Employed	4,555	5,357	7,072	7,410

Applications of Funds

Net Block	1,969	1,954	2,431	2,257
CWIP	35	0	0	0
Investments	0	0	0	0
Current Assets, Loans & Advances	7,616	8,606	10,293	11,288
Inventories	2,865	2,739	3,052	3,470
Receivables	3,889	3,966	4,569	4,761
Cash and Bank Balances	75	834	1,233	1,258
Loans and Advances	0	0	0	0
Other Current Assets	787	766	839	899
Less: Current Liabilities & Provisions	5,064	5,203	5,652	6,135
Payables	3,305	3,490	3,808	4,184
Other Current Liabilities	1,759	1,713	1,844	1,951
<i>sub total</i>				
Net Current Assets	2,552	3,403	4,642	5,153
Total Assets	4,555	5,357	7,072	7,410

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	31.6	31.5	31.5	32.5
EBIDTA Margin	8.6	9.6	9.5	10.5
EBIT Margin	6.6	7.4	7.3	8.3
Tax rate	31.2	25.2	25.2	25.2
Net Profit Margin	3.8	5.0	5.0	5.8
(B) As Percentage of Net Sales (%)				
COGS	68.4	68.5	68.5	67.5
Employee	9.6	9.5	9.5	9.5
Other	13.5	12.4	12.5	12.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.3	0.3	0.5	0.3
Interest Coverage	5.2	7.1	7.2	8.2
Inventory days	51	52	48	48
Debtors days	69	75	72	66
Average Cost of Debt	23.8	18.3	13.0	12.9
Payable days	59	66	60	58
Working Capital days	45	64	73	71
FA T/O	10.5	9.9	9.5	11.7
(D) Measures of Investment				
AEPS (Rs)	3.7	4.6	5.4	7.2
CEPS (Rs)	5.6	6.5	7.9	9.9
DPS (Rs)	1.1	1.3	1.5	1.8
Dividend Payout (%)	31.0	28.5	27.5	25.1
BVPS (Rs)	16.9	19.2	22.1	26.4
RoANW (%)	23.6	25.2	26.3	29.5
RoACE (%)	23.5	23.6	22.4	24.7
RoAIC (%)	32.0	31.9	32.6	36.6
(E) Valuation Ratios				
CMP (Rs)	254	254	254	254
P/E	68.4	55.7	46.5	35.4
Mcap (Rs Mn)	53,800	53,800	53,800	53,800
MCap/ Sales	2.6	2.8	2.3	2.0
EV	54,672	53,931	54,325	53,427
EV/Sales	2.7	2.8	2.3	2.0
EV/EBITDA	31.0	29.1	24.6	19.3
P/BV	15.0	13.2	11.4	9.6
Dividend Yield (%)	0.5	0.5	0.6	0.7
(F) Growth Rate (%)				
Revenue	10.6	(6.4)	20.0	13.7
EBITDA	24.9	4.9	19.5	25.2
EBIT	15.3	5.3	17.6	30.1
PBT	8.9	13.0	19.6	31.7
APAT	13.4	22.9	19.6	31.7
EPS	13.4	22.9	19.6	31.7

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	1,813	1,641	1,225	2,027
CFI	(1,196)	(665)	(1,300)	(700)
CFF	(859)	(217)	473	(1,302)
FCFF	617	1,276	225	1,627
Opening Cash	316	75	834	1,233
Closing Cash	75	834	1,233	1,258

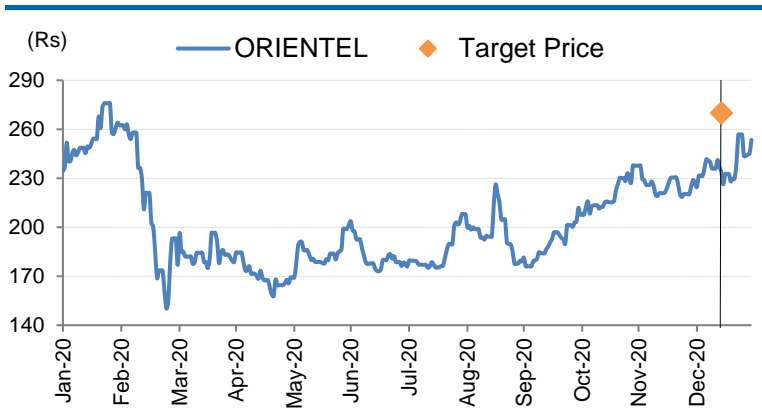
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jan-21	Accumulate	270	234

**Price as on recommendation date*

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. Entity/ persons only: This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd **StoneX Financial Inc. ("StoneX")**. Transactions in securities discussed in this research report should be effected through **StoneX Financial Inc. ("StoneX")** or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.



Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE – INZ000274132, NSE - INZ000274132, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
