27 April 2025

# Orient Electric

Rating: **Buy**
Target Price(12-mth): Rs.310
Share Price: Rs.243

*Lighting outshines, double-digit margins targeted; maintaining a Buy*

**Weak prolonged winter season impacted Orient Electric's water heater and fan sales, while lighting outperformed led by strong B2B demand. Fan demand recovered over the past 7–8 days, and management remains optimistic about Q1 performance, supported by severe summer forecast across India. Margins have rebounded from the lows of last year, which were impacted by EPR provisioning and Mackenzie-related costs in the base quarter. Management is now targeting double-digit margins in the next 7–8 quarters, which could drive 50.8% PAT CAGR over FY25-FY27.**

**Lighting-led revenue growth.** Q4 revenue grew 9.4% y/y to Rs8.2bn, led by industry-leading growth in L&S (up 13.3% y/y); ECD revenue rose 7.9% y/y. Premiumisation, and a better product mix pushed up the gross margin 67bps y/y to 31.4%. The EBITDA margin expanded 385bps to 7.8%, supported by lower other expenses (-9.5%). Consequently, PAT rose 144.2% y/y to Rs313m, despite higher depreciation (+40.5% y/y) and lower other income (-30.8% y/y).

**Targeting double-digit margins in 7-8 quarters.** The company's margins continued its upward trajectory. Margins improved sequentially for the fifth consecutive quarter. Ahead, management aims to achieve double-digit margins in 7–8 quarters, driven by (i) premiumization, (ii) a higher share of lighting and margin-accretive products (switches & switchgears); (iii) an improved distribution mix; (iv) sustained cost-savings and (v) enhanced asset utilization.

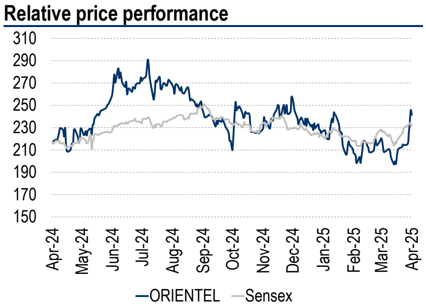
**Valuation.** At the CMP, the stock trades at 38.7x/27.4x FY26e/27e EPS of Rs6.3/8.9. We model 14.6%/50.8% revenue/PAT CAGRs over FY25-27, driving RoCE expansion from 18.4% to 29.6%. We maintain a Buy on the stock with a TP of Rs310 (earlier Rs282), 35x FY27e EPS. **Key risks**: Weaker-than-expected summer or slower government lighting tenders could curb overall growth.

| Key data | ORIENTEL IN / ONTE.BO |
|---|---|
| 52-week high / low | Rs297/177 |
| Sensex / Nifty | 79213 / 24039 |
| Market cap | Rs.51bn |
| Shares outstanding | 213m |

| Shareholding pattern (%) | Mar'25 | Dec'24 | Sep'24 |
|---|---|---|---|
| Promoters | 38.3 | 38.3 | 38.3 |
| - *of which, Pledged* | 0.0 | 0.0 | 0.0 |
| Free float | 61.7 | 61.7 | 61.7 |
| - Foreign institutions | 6.9 | 7.1 | 7.0 |
| - Domestic institutions | 28.0 | 27.9 | 27.9 |
| - Public | 26.8 | 26.7 | 26.8 |

| Estimates revision (%) | FY26e | FY27e |
|---|---|---|
| Sales | (2.3) | (2.9) |
| EBITDA | (2.1) | (3.7) |
| EPS | (6.8) | (5.5) |

Relative price performance




*Source: Bloomberg*

| Key financials (YE: Mar) | FY23 | FY24 | FY25 | FY26e | FY27e |
|---|---|---|---|---|---|
| Sales (Rs m) | 25,292 | 28,121 | 30,937 | 35,393 | 40,598 |
| Net profit (Rs m) | 758 | 613 | 832 | 1,340 | 1,892 |
| EPS (Rs) | 3.6 | 2.9 | 3.9 | 6.3 | 8.9 |
| P/E (x) | 68.2 | 84.6 | 62.3 | 38.7 | 27.4 |
| EV / EBITDA (x) | 33.2 | 35.6 | 25.3 | 17.8 | 13.8 |
| P/BV (x) | 8.8 | 8.1 | 7.5 | 6.7 | 5.9 |
| RoE (%) | 13.0 | 11.8 | 12.0 | 17.4 | 21.7 |
| RoCE post-tax (%) | 12.7 | 10.6 | 13.6 | 18.5 | 22.1 |
| Dividend yield (%) | 0.6 | 0.6 | 0.6 | 1.2 | 1.6 |
| Net debt / equity (x) | (0.3) | (0.1) | (0.1) | (0.2) | (0.3) |

*Source: Company*

**Prasheel Gandhi**
Research Analyst

# Quick Glance – Financials and Valuations

## Fig 1 – Income statement (Rs m)

| Year-end: Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|---|---|---|---|---|---|
| **Net revenues** | **25,292** | **28,121** | **30,937** | **35,393** | **40,598** |
| *Growth (%)* | 3.3 | 11.2 | 10.0 | 14.4 | 14.7 |
| Direct costs | 18,242 | 19,570 | 20,996 | 23,890 | 27,282 |
| *Gross margins (%)* | 27.9 | 30.4 | 32.1 | 32.5 | 32.8 |
| SG&A | 5,540 | 7,108 | 7,904 | 8,665 | 9,755 |
| **EBITDA** | **1,510** | **1,443** | **2,037** | **2,838** | **3,561** |
| ***EBITDA margins (%)*** | **6.0** | **5.1** | **6.6** | **8.0** | **8.8** |
| - Depreciation | 535 | 590 | 791 | 976 | 1,032 |
| Other income | 266 | 155 | 118 | 177 | 284 |
| Interest expenses | 222 | 233 | 242 | 248 | 284 |
| PBT | 1,019 | 963 | 1,123 | 1,791 | 2,529 |
| *Effective tax rates (%)* | 25.6 | 21.8 | 25.9 | 25.2 | 25.2 |
| + Associates / (Minorities) | - | - | - | - | - |
| Net income | 758 | 753 | 832 | 1,340 | 1,892 |
| **Adjusted income** | **758** | **613** | **832** | **1,340** | **1,892** |
| WANS | 213 | 213 | 213 | 213 | 213 |
| **FDEPS (Rs)** | **3.6** | **2.9** | **3.9** | **6.3** | **8.9** |
| *FDEPS growth (%)* | (40.1) | (19.2) | 35.8 | 61.1 | 41.2 |

## Fig 2 – Balance sheet (Rs m)

| Year-end: Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|---|---|---|---|---|---|
| Share capital | 213 | 213 | 213 | 213 | 213 |
| Net worth | 5,846 | 6,389 | 6,943 | 7,686 | 8,724 |
| Debt | 101 | 209 | 171 | 171 | 171 |
| Minority interest | - | - | - | - | - |
| DTL / (Assets) | (255) | (302) | (342) | (342) | (342) |
| **Capital employed** | **5,693** | **6,296** | **6,772** | **7,514** | **8,553** |
| Net tangible assets | 2,075 | 2,216 | 4,270 | 3,793 | 3,261 |
| Net intangible assets | 216 | 167 | 129 | 129 | 129 |
| Goodwill | - | - | - | - | - |
| CWIP (tang. & intang.) | 827 | 2,226 | 46 | 46 | 46 |
| Investments (strategic) | - | - | - | - | - |
| Investments (financial) | - | 373 | 141 | 141 | 141 |
| Current assets (excl. cash) | 7,632 | 8,563 | 10,072 | 11,523 | 13,218 |
| Cash | 1,642 | 663 | 548 | 1,531 | 2,826 |
| Current liabilities | 6,699 | 7,912 | 8,433 | 9,648 | 11,067 |
| Working capital | 933 | 651 | 1,639 | 1,875 | 2,151 |
| **Capital deployed** | **5,693** | **6,296** | **6,772** | **7,514** | **8,553** |
| Contingent liabilities | 90 | 95 | - | - | - |

## Fig 3 – Cash-flow statement (Rs m)

| Year-end: Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|---|---|---|---|---|---|
| **PBT** | **975** | **853** | **1,246** | **1,862** | **2,529** |
| + Non-cash items | 535 | 590 | 791 | 976 | 1,032 |
| Oper. prof. before WC | 1,510 | 1,443 | 2,037 | 2,838 | 3,561 |
| - Incr. / (decr.) in WC | 709 | 282 | (988) | (236) | (276) |
| Others incl. taxes | (261) | (210) | (290) | (451) | (637) |
| **Operating cash-flow** | **1,958** | **1,515** | **759** | **2,151** | **2,649** |
| - Capex (tang. + intang.) | 1,503 | 2,081 | 626 | 500 | 500 |
| **Free cash-flow** | **456** | **(566)** | **133** | **1,651** | **2,149** |
| Acquisitions | **-** | **-** | **-** | **-** | **-** |
| - Div.(incl. buyback & taxes) | 319 | 320 | 320 | 598 | 854 |
| + Equity raised | 1 | 1 | - | - | - |
| + Debt raised | (46) | 108 | (38) | - | - |
| - Fin investments | - | 373 | (233) | - | - |
| - Misc. (CFI + CFF) | 46 | 172 | (122) | (71) | (0) |
| **Net cash-flow** | **137** | **(979)** | **(115)** | **983** | **1,295** |

*Source: Company, Anand Rathi Research*

## Fig 4 – Ratio analysis

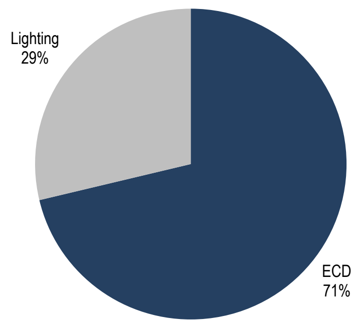
| Year-end: Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|---|---|---|---|---|---|
| P/E (x) | 68.2 | 84.6 | 62.3 | 38.7 | 27.4 |
| EV / EBITDA (x) | 33.2 | 35.6 | 25.3 | 17.8 | 13.8 |
| EV / Sales (x) | 2.0 | 1.8 | 1.7 | 1.4 | 1.2 |
| P/B (x) | 8.8 | 8.1 | 7.5 | 6.7 | 5.9 |
| RoE (%) | 13.0 | 11.8 | 12.0 | 17.4 | 21.7 |
| RoCE post-tax (%) | 12.7 | 10.6 | 13.6 | 18.5 | 22.1 |
| RoIC post-tax (%) | 17.9 | 12.7 | 15.2 | 23.8 | 33.9 |
| DPS (Rs) | 1.5 | 1.5 | 1.5 | 2.8 | 4.0 |
| Dividend yield (%) | 0.6 | 0.6 | 0.6 | 1.2 | 1.6 |
| Dividend payout (%) – incl. DDT | 42.1 | 42.5 | 38.5 | 44.6 | 45.1 |
| Net debt / equity (x) | (0.3) | (0.1) | (0.1) | (0.2) | (0.3) |
| Receivables (days) | 54 | 61 | 61 | 61 | 61 |
| Inventory (days) | 41 | 41 | 51 | 51 | 51 |
| Payables (days) | 65 | 71 | 71 | 71 | 71 |
| CFO : PAT (%) | 258.2 | 247.4 | 91.2 | 160.5 | 140.0 |
| FCF / PAT (%) | 60.1 | (92.4) | 16.0 | 123.2 | 113.6 |

*Source: Company, Anand Rathi Research*

## Fig 5 – Price movement


*Source: Bloomberg*

## Fig 6 – Q4 FY25 revenue break-up




*Source: Company*

## Fig 7 – Financial performance

| (Rs m) | Q4 FY23 | Q1 FY24 | Q2 FY24 | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 | Q4 FY25 | % Y/Y | % Q/Q |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net sales** | **6,579** | **7,056** | **5,669** | **7,519** | **7,877** | **7,549** | **6,602** | **8,168** | **8,619** | **9.4** | **5.5** |
| Gross profit | 1,864 | 2,163 | 1,717 | 2,247 | 2,424 | 2,502 | 2,138 | 2,591 | 2,710 | 11.8 | 4.6 |
| *Margins (%)* | *28.3* | *30.7* | *30.3* | *29.9* | *30.8* | *33.1* | *32.4* | *31.7* | *31.4* | *67 bps* | *(28) bps* |
| **EBITDA** | **464** | **440** | **207** | **489** | **307** | **401** | **357** | **612** | **668** | **117.4** | **9.2** |
| *Margins (%)* | *7.0* | *6.2* | *3.6* | *6.5* | *3.9* | *5.3* | *5.4* | *7.5* | *7.8* | *385 bps* | *26 bps* |
| Depreciation | 137 | 143 | 142 | 150 | 155 | 175 | 196 | 202 | 218 | 40.5 | 7.9 |
| Interest | 61 | 59 | 52 | 54 | 68 | 57 | 60 | 61 | 64 | (5.7) | 5.6 |
| Other income | 63 | 29 | 34 | 43 | 50 | 25 | 42 | 17 | 35 | (30.8) | 106.5 |
| Extraordinary items | - | - | 187 | - | - | - | - | - | - | | |
| **PBT** | **328** | **266** | **234** | **328** | **135** | **193** | **142** | **366** | **421** | **212.4** | **15.1** |
| Tax | 82 | 69 | 49 | 85 | 7 | 49 | 38 | 95 | 109 | 1,476.8 | 15.1 |
| *ETRs (%)* | *25.0* | *26.0* | *21.1* | *25.8* | *5.1* | *25.5* | *26.6* | *25.8* | *25.8* | | |
| Reported PAT | 246 | 197 | 185 | 243 | 128 | 143 | 104 | 272 | 313 | 144.2 | 15.1 |
| **Adj. PAT** | **246** | **197** | **44** | **243** | **128** | **143** | **104** | **272** | **313** | **144.2** | **15.1** |
| **Adj. EPS** | **1.2** | **0.9** | **0.2** | **1.1** | **0.6** | **0.7** | **0.5** | **1.3** | **1.5** | **142.8** | **15.1** |

| As % of income | Q4 FY23 | Q1 FY24 | Q2 FY24 | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 | Q4 FY25 | bps y/y | bps q/q |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Gross margins* | 28.3 | 30.7 | 30.3 | 29.9 | 30.8 | 33.1 | 32.4 | 31.7 | 31.4 | 67 | (28) |
| *SG&A* | 21.3 | 24.4 | 26.6 | 23.4 | 26.9 | 27.8 | 27.0 | 24.2 | 23.7 | (318) | (54) |
| *EBITDA margins* | 7.0 | 6.2 | 3.6 | 6.5 | 3.9 | 5.3 | 5.4 | 7.5 | 7.8 | 385 | 26 |
| *Depreciation* | 2.1 | 2.0 | 2.5 | 2.0 | 2.0 | 2.3 | 3.0 | 2.5 | 2.5 | 56 | 6 |
| *Interest* | 0.9 | 0.8 | 0.9 | 0.7 | 0.9 | 0.8 | 0.9 | 0.7 | 0.7 | (12) | 0 |
| *Other income* | 1.0 | 0.4 | 0.6 | 0.6 | 0.6 | 0.3 | 0.6 | 0.2 | 0.4 | (23) | 20 |
| *Extraordinary Items* | - | - | 3.3 | - | - | - | - | - | - | - | - |
| *PBT* | 5.0 | 3.8 | 4.1 | 4.4 | 1.7 | 2.6 | 2.2 | 4.5 | 4.9 | 318 | 41 |
| *ETRs* | 25.0 | 26.0 | 21.1 | 25.8 | 5.1 | 25.5 | 26.6 | 25.8 | 25.8 | 2,070 | 1 |
| *Adj. PAT margins* | 3.7 | 2.8 | 0.8 | 3.2 | 1.6 | 1.9 | 1.6 | 3.3 | 3.6 | 200 | 30 |

| Segment | Q4 FY23 | Q1 FY24 | Q2 FY24 | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 | Q4 FY25 | % Y/Y | % Q/Q |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net sales (Rs m)** | | | | | | | | | | | |
| ECD | 4,577 | 5,150 | 3,634 | 5,352 | 5,691 | 5,449 | 4,395 | 5,743 | 6,142 | 7.9 | 6.9 |
| Lighting | 2,003 | 1,906 | 2,035 | 2,167 | 2,186 | 2,100 | 2,206 | 2,425 | 2,476 | 13.3 | 2.1 |
| **Sales mix (%)** | | | | | | | | | | | |
| ECD | 69.6 | 73.0 | 64.1 | 71.2 | 72.2 | 72.2 | 66.6 | 70.3 | 71.3 | | |
| Lighting | 30.4 | 27.0 | 35.9 | 28.8 | 27.8 | 27.8 | 33.4 | 29.7 | 28.7 | | |
| **EBIT (Rs m)** | | | | | | | | | | | |
| ECD | 445 | 492 | 297 | 603 | 465 | 494 | 389 | 643 | 678 | 45.7 | 5.4 |
| Lighting | 391 | 307 | 269 | 307 | 281 | 390 | 300 | 322 | 308 | 9.8 | (4.2) |
| **EBIT margins (%)** | | | | | | | | | | | |
| ECD | 9.7 | 9.5 | 8.2 | 11.3 | 8.2 | 9.1 | 8.8 | 11.2 | 11.0 | 286 bps | (16) bps |
| Lighting | 19.5 | 16.1 | 13.2 | 14.2 | 12.8 | 18.6 | 13.6 | 13.3 | 12.5 | (40) bps | (82) bps |

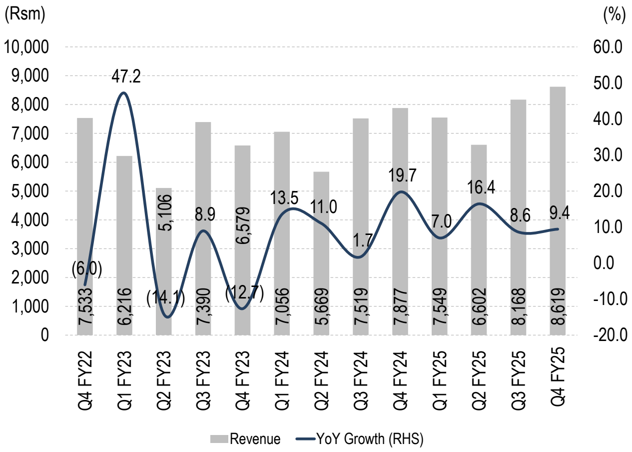
*Source: Company*

# Q4 FY25 call takeaways

## Financials, outlook

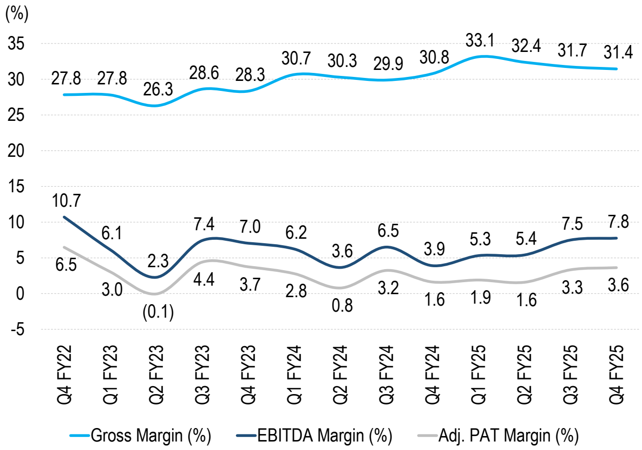
- Demand was impacted due to the soft, prolonged winter, which affected sales of water heaters and fans. However, lighting continued to outperform, driven by strong growth across B2B and B2C segments, along with robust performance in switchgears and wires.
- The gross margin expanded 67bps y/y to 31.4%, supported by premiumization and a favourable product mix.
- Other expenditure declined 9.5%, benefiting from the absence of EPR and Mackenzie-related provisions in the base quarter.
- Project Sanchay delivered cost-savings of Rs750m in FY25.
- Net working capital (NWC) increased to 19 days at end-FY25, from 8 days in FY24.
- The company aims to achieve double-digit margins in 7–8 quarters, driven by (i) premiumization, (ii) a higher share of lighting and margin-accretive products (switches & switchgears); (iii) an improved distribution mix; (iv) sustained cost-savings and (v) enhanced asset utilization.

**Fig 8 – Revenue growth**




*Source: Company, Anand Rathi Research*

**Fig 9 – Margins**



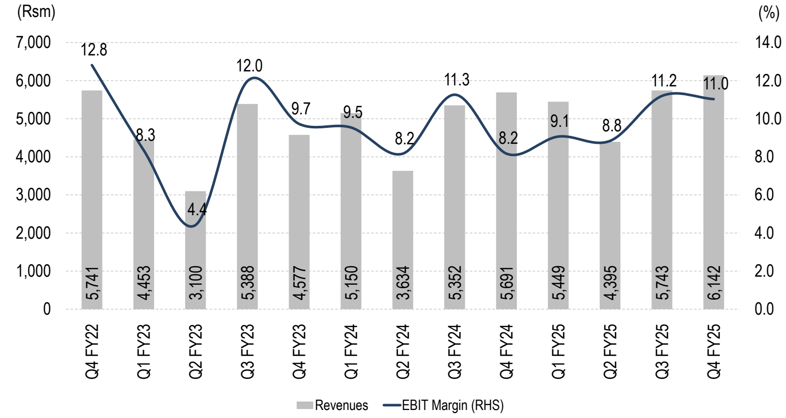

*Source: Company, Anand Rathi Research*

## ECD division

- Fans grew in high single digits, impacted by the muted Q4 start due to the high base and weak winter, which also affected water heater sales. However, the company exited Mar with strong growth, and demand has further picked up in the last 7–8 days.
- BLDC fans grew 50% y/y in Q4 and 30% in FY25, now contributing ~20% of ceiling fan sales.
- NPD contribution stood at 20% of fan sales.
- The Hyderabad facility's ramp-up continues, now contributing ~50% of TPW production.
- The direct-to-market (DTM) model is now implemented in 11 states, with full West Bengal transition completed in Q4; ~4,200 retailers were added in Q4; DTM grew in high double digits.

- The retailer count is 50,000–55,000 direct, 80,000–85,000 indirect.
- The company expanded its presence in QC via Zepto, in addition to Blinkit.
- Direct service coverage was expanded to 12 states, including Delhi in Q4.
- Market share improved marginally, with Orient outperforming the industry in premiumization (30% vs. ~20% industry average) and BLDC mix (20% vs. mid-teens industry average).
- Air coolers delivered robust growth of 30%/37% in Q4/FY25, driven by strong pre-season build-up across online and offline channels.

**Fig 10 – ECD**

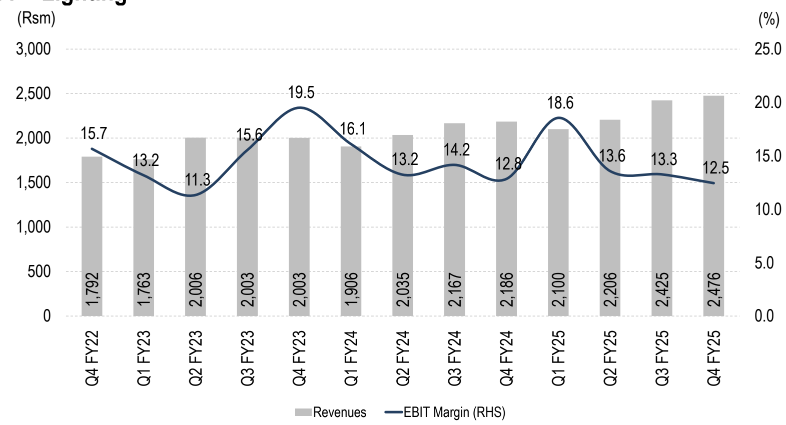



*Source: Company, Anand Rathi Research*

## Lighting division

- B2C lighting delivered high double-digit volume growth, despite continued pricing pressure.
- B2B lighting grew in mid-teens, driven by strong execution in street lighting and façade lighting projects. Project inquiries remain healthy.
- The company gained 2% market share in the lighting segment.
- Switchgears posted high double-digit growth, supported by new product development (NPD), channel expansion, and electrician engagement programs.
- Wires also grew in high double digits, led by channel restocking and a pickup in infrastructure activity.

**Fig 11 – Lighting**




*Source: Company, Anand Rathi Research*

# Outlook, Valuations

The weak winter impacted water heater and fan sales, while lighting outperformed on strong B2B demand. Fan demand has revived over the past 7–8 days, and management remains upbeat about Q1, backed by the severe summer forecast across India. Margin expansion remains on track, with multiple operating levers expected to drive strong PAT CAGRs over the medium term.

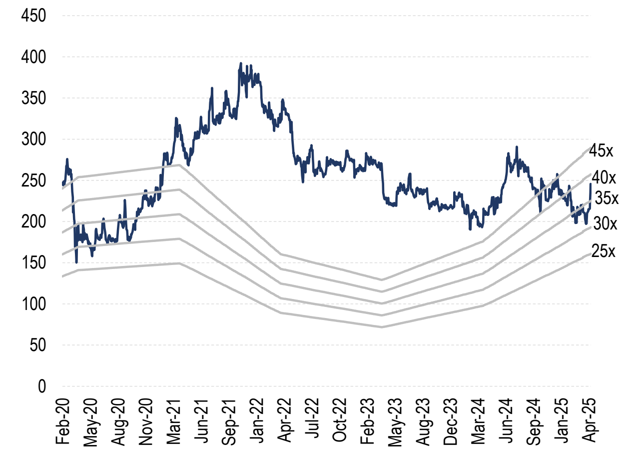
We model 14.6%/50.8% revenue/PAT CAGRs over FY25-27, driving RoCE expansion from 18.4% to 29.6%. We maintain a Buy on the stock with a TP of Rs310 (earlier Rs282), 35x FY27e EPS. At the CMP, the stock trades at 38.7x/27.4x FY26e/27e EPS of Rs6.3/8.9.

**Fig 12 – Estimates change**

| | New | | Old | | Variance (%) | |
|---|---|---|---|---|---|---|
| (Rsm) | FY26e | FY27e | FY26e | FY27e | FY26 | FY27 |
| Net Sales | 35,393 | 40,598 | 36,212 | 41,801 | (2.3) | (2.9) |
| EBITDA | 2,838 | 3,561 | 2,899 | 3,699 | (2.1) | (3.7) |
| ***EBITDA Margin (%)*** | ***8.0*** | ***8.8*** | ***8.0*** | ***8.8*** | ***1 bps*** | ***(8) bps*** |
| PBT | 1,791 | 2,529 | 1,921 | 2,677 | (6.8) | (5.5) |
| Adj. PAT | 1,340 | 1,892 | 1,437 | 2,003 | (6.8) | (5.5) |
| Adj. EPS | 6.3 | 8.9 | 6.7 | 9.4 | (6.8) | (5.5) |

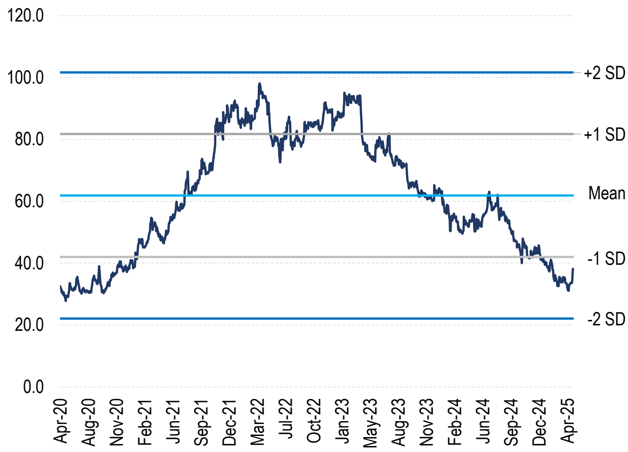
*Source: Anand Rathi Research*

**Fig 13 – 1-yr forward P/E band**




*Source: Company, Anand Rathi Research*

**Fig 14 – The stock trades near -1SD levels**




*Source: Company, Anand Rathi Research*

### Key risks

- A weaker-than-expected summer could curb ECD growth.
- Slowdown in government lighting tenders could curb lighting growth.

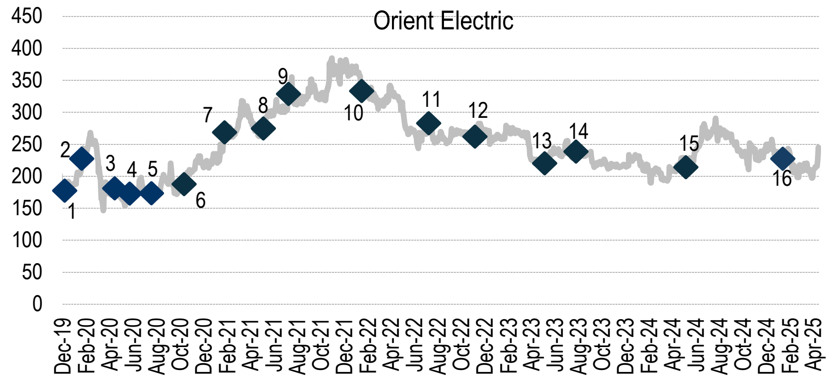
## Appendix

### Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

### Important Disclosures on subject companies

**Rating and Target Price History (as of 27 April 2025)**




| | Date | Rating | TP (Rs) | Share Price (Rs) |
|---|---|---|---|---|
| 3 | 23-Apr-20 | Hold | 226 | 185 |
| 4 | 01-Jun-20 | Hold | 219 | 178 |
| 5 | 28-Jul-20 | Hold | 206 | 178 |
| 6 | 29-Oct-20 | Hold | 243 | 210 |
| 7 | 30-Jan-21 | Buy | 323 | 253 |
| 8 | 13-May-21 | Buy | 350 | 280 |
| 9 | 30-Jul-21 | Hold | 360 | 322 |
| 10 | 23-Jan-22 | Hold | 385 | 351 |
| 11 | 26-Jul-22 | Hold | 327 | 273 |
| 12 | 09-Nov-22 | Sell | 216 | 259 |
| 13 | 15-May-23 | Hold | 225 | 222 |
| 14 | 05-Aug-23 | Hold | 242 | 240 |
| 15 | 12-May-24 | Hold | 227 | 208 |
| 16 | 30-Jan-25 | Buy | 282 | 219 |

### Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

| Ratings Guide (12 months) | Buy | Hold | Sell |
|---|---|---|---|
| Large Caps (Top 100 companies) | >15% | 0-15% | <0% |
| Mid Caps (101st-250th company) | >20% | 0-20% | <0% |
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