

**BUY**

TP: Rs 280 | ▲ 26%

**ORIENT ELECTRIC**

Consumer Durables

28 July 2025

## Mixed bag; ECD reported flat growth amid challenging season

- Revenue grew 2% YoY, led by 7% YoY growth in L&S; ECD flat YoY. Revenue 2% below estimates, EBITDA margin a surprise
- Fans reported single-digit YoY growth, coolers declined 40% YoY, while water heaters reported strong growth
- Revise estimates downwards, introduce FY28E; roll forward to June-27 EPS, TP at Rs 280 (35x unchanged)

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**EBITDA-miss offset by margin surprise, resulting in 8% EBITDA:** Orient's 1Q performance was a mixed bag, as revenue was 2% below our estimates; but a 70bps beat in EBITDA margin led to 8% EBITDA beat. Revenue grew 1.9% YoY to Rs 7.6 bn, driven by growth in the Lighting & Switchgear (+7% YoY) and ECD segment was flat YoY. Gross margin contracted by 50 bps YoY, while lower other expense and employee cost led to EBITDA margin expansion by 70 bps YoY. Segment-wise, ECD margin contracted by 230 bps YoY (-400 bps QoQ), while Lighting margin contracted by 118 bps YoY, though improved sequentially by 500 bps. ORIENTEL reported PAT of Rs 175 mn, up 22% YoY.

**ECD growth flat YoY; fans up low-single digits; water heaters strong; coolers down 40% YoY:** ECD segment revenue stood at Rs 5.45bn, largely stable YoY despite seasonal weakness. Growth was constrained by muted fan sales due to an unseasonal summer and higher channel inventories; coolers sales declined 40% YoY, while water heaters saw a double-digit growth. Margins declined YoY, impacted by increased advertising spend (~5.5% of revenue) and price competition. The company also took a price hike in April to offset inflationary pressures.

**Lighting & Switchgear grew 7% YoY (-10% QoQ), led by new launches and distribution expansion:** Lighting & Switchgears revenue growth was led by new product launches, distribution expansion aiding volume growth in consumer lighting, leading to market share (MS) gains. Switchgears and wires reported strong double-digit growth. Margin contracted 120bps YoY to 17.4% as pricing erosion continued but improved sequentially 500bps QoQ.

**Revise estimates downward, maintain BUY:** We cut our estimate by 1-6% in FY26-27E to reflect some weakness in the ECD category. Management guides to achieve double-digit margin in the next 7-8 quarters, which will take some time, and we accordingly factored in our estimates. We introduce FY28E and roll forward our valuation on June-27E EPS and ascribe unchanged multiple of 35x to arrive at June 26TP of Rs 280

## Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	ORIENTEL IN/Rs 222
Market cap	US\$ 545.6mn
Free float	62%
3M ADV	US\$ 0.4mn
52wk high/low	Rs 297/Rs 177
Promoter/FPI/DII	38%/6%/28%

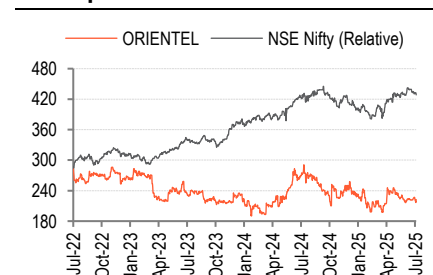
Source: NSE | Price as of 25 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	30,937	33,813	37,533
EBITDA (Rs mn)	2,037	2,500	3,023
Adj. net profit (Rs mn)	832	1,136	1,621
Adj. EPS (Rs)	3.9	5.3	7.6
Consensus EPS (Rs)	5.5	7.8	10.5
Adj. ROAE (%)	12.5	15.6	20.0
Adj. P/E (x)	56.9	41.7	29.2
EV/EBITDA (x)	23.2	18.9	15.6
Adj. EPS growth (%)	47.0	36.5	42.8

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly performance**

Rs mn	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q4FY25E	Var (%)
Revenue	7,691	7,549	1.9	8,619	(10.8)	7,853	(2)
EBITDA	461	401	15.0	668	(31.0)	428	8
EBITDA Margin (%)	6.0	5.3	70bps	7.8	(180bps)	5.4	54bps
Depreciation	195	175		218		210	(7)
Interest	55	57		64		65	(16)
Other Income	25	25		35		29	(14)
PBT	237	193	22.8	421	(43.9)	181	30
Tax	61	49		109		46	34
Recurring PAT	175	143	22.2	313	(44.0)	136	29
Exceptional item		-		0			
Reported PAT	175	143	22.2	313	(44.0)	136	29
Adj. PAT Margin (%)	2.3	1.9	40bps	3.6	(37.2)	1.7	55bps
EPS (Rs)	0.8	0.7	22.2	1.5	(44.0)	0.6	28.7

Source: Company, BOBCAPS Research

**Fig 2 – Segmental performance**

Rs mn	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Segment revenue					
ECD	5,450	5,449	0	6,142	(11)
Lighting and SG	2,241	2,100	7	2,476	(10)
EBIT					
ECD	369	494	(25)	678	(46)
margin %	6.8	9.1	(230bps)	11.0	(400bps)
Lighting and SG	390	390	0	308	26
margin %	17.4	18.6	(118bps)	12.5	500bps

Source: Company, BOBCAPS Research

## Earnings Call Highlights

### Electric Consumer Durables (ECD)

#### Fans

- Management noted muted single-digit YoY growth in fan sales, due to early monsoons and high channel inventory. BLDC fans grew over 50% YoY, now forming 30–35% of ceiling fan sales, with premium mix improving ~250bps.
- The company highlighted strong traction from NPDs (>20% of category sales) and the recent BLDC launches under the IPL-backed “TechNeeks Design” campaign.

#### Air Coolers

- The company reported over 40% YoY growth in air coolers, supported by early-season channel stocking. Despite a truncated 6-8 week selling window and lower secondary offtake due to early rains, management credited the strong performance to a refreshed product range and improved channel execution.

### Water Heaters

- Water heaters witnessed double-digit growth, driven by the launch of new premium square-shift storage models featuring enhanced aesthetics, better performance, and extended warranties.

## Lighting & Switchgears

### Lighting

- B2C lighting delivered single-digit value growth and double-digit volume growth, led by product mix improvement and distributor expansion. Premium/value-added SKUs now contribute ~55% of the mix.
- B2B lighting executed marquee projects including Chhatrapati Shivaji Maharaj Museum (Maharashtra) and Sarnath Temple (UP). While delays in infrastructure project execution impacted near-term growth, a strong inquiry pipeline supports confidence in future traction. Regulatory-driven price hikes in May helped absorb cost pressures, aiding margin stability.

### Switchgears

- Registered strong double-digit growth, driven by expanded distribution and the ongoing rollout of the electrician engagement program. Management remains confident that continued investments in premiumisation and deeper market penetration will help scale the category in the coming quarters.

### Cost efficiencies and gross margin stability

- Gross margins remained stable at 32.6% in Q1FY26, reflecting the benefits of channel optimization and a refined product mix. Project Sanchay delivered Rs 90mn in cost savings during the quarter. Management reiterated its confidence in sustaining margins within the 32-34% range.

### DTM and channel expansion

- ORIENTEL continued scaling its Direct-to-Market (DTM) model, which continues to deliver better results. Over 1,800 new retailers were added under DTM in Q1FY26, strengthening its footprint and direct access across key markets.

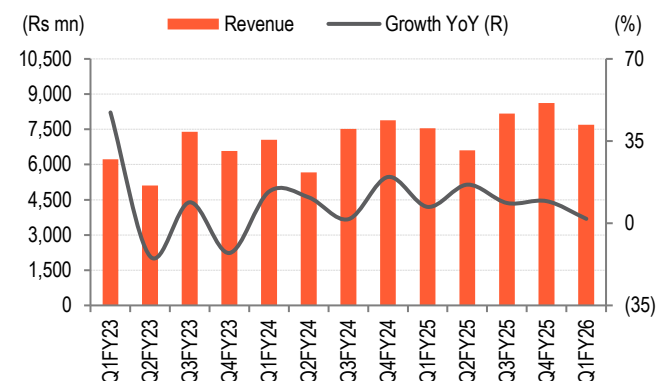
### Digital-first and quick-commerce push

- Digital channels saw robust traction. The company expanded its presence on quick-commerce platforms (Zepto, Blinkit), offering fans, coolers, water heaters, irons, and accessories. The initiatives strengthen its digital-first positioning and improve access and convenience for customers.

### Guidance

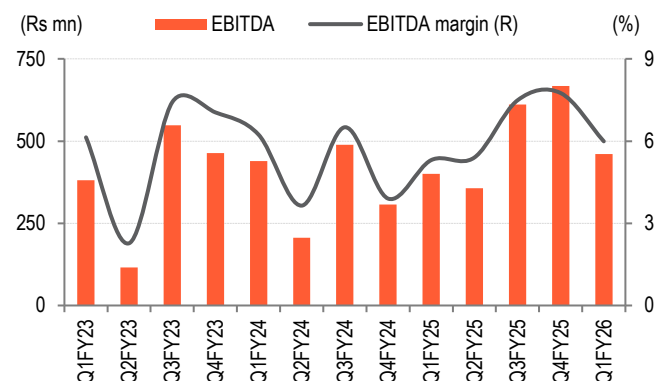
- Management reiterated focus on building a balanced and premium-oriented portfolio. Marketing investments will continue at 4-5% of revenue, supporting long-term brand equity. Margins are expected to expand gradually with cost efficiencies, premiumisation, and a better product mix. The company remains committed to achieving double-digit EBITDA margins over the next 7-8 quarters, aided by festive tailwinds and improved sentiment.

**Fig 3 – Revenue growth**



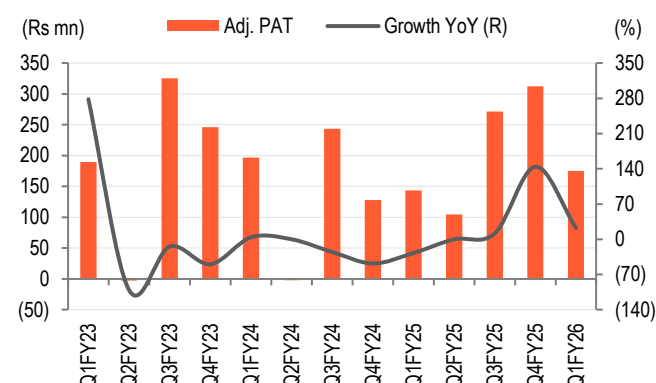
Source: Company, BOBCAPS Research

**Fig 4 – EBITDA growth**



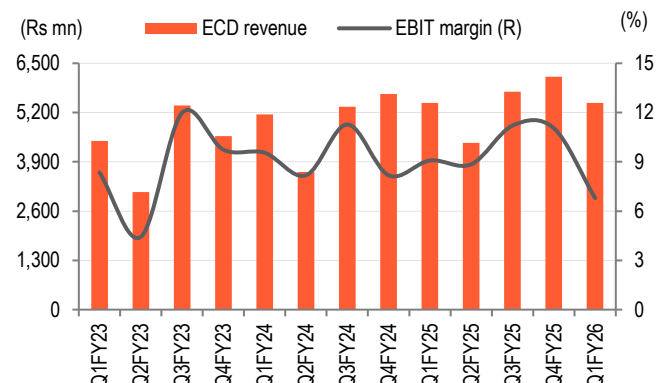
Source: Company, BOBCAPS Research

**Fig 5 – PAT growth**



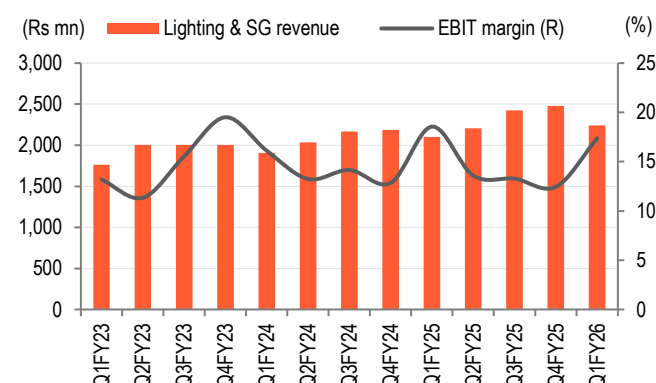
Source: Company, BOBCAPS Research

**Fig 6 – ECD segment performance**



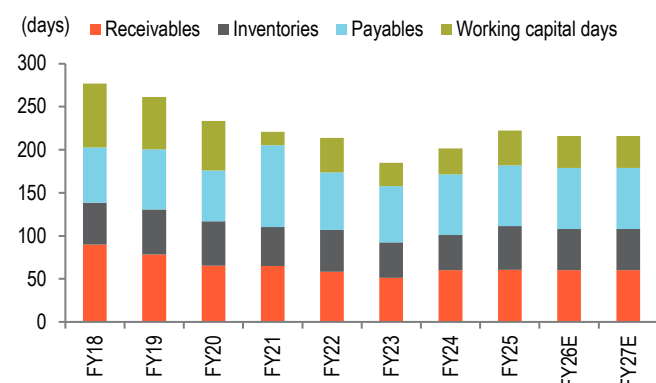
Source: Company, BOBCAPS Research

**Fig 7 – Lighting & SG revenue**



Source: Company, BOBCAPS Research

**Fig 8 – Working capital trends**



Source: Company, BOBCAPS Research

## Valuation methodology

We cut our estimate by 1-6% in FY26-27E to reflect some weakness in the ECD category. Management guides to achieve a double-digit margin in the next 7-8 quarters, which will take some time, and we accordingly factored in our estimates. We introduce FY28E and roll forward our valuation on June-27E EPS and ascribe unchanged multiple of 35x to arrive at June 26TP of Rs 280.

**Fig 9 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	33,813	37,533	41,661	34,478	38,960	NA	(2)	(4)	NA
EBITDA	2,500	3,023	3,444	2,517	3,169	NA	(1)	(5)	NA
Margin (%)	7.4	8.0	8.3	7.3	8.1	NA	9bps	(8bps)	NA
PAT	1,136	1,621	2,042	1,149	1,726	NA	(1)	(6)	NA

Source: BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>28,121</b>	<b>30,937</b>	<b>33,813</b>	<b>37,533</b>	<b>41,661</b>
EBITDA	1,443	2,037	2,500	3,023	3,444
Depreciation	590	791	820	839	820
EBIT	853	1,246	1,680	2,183	2,624
Net interest inc./(exp.)	(233)	(242)	(276)	(193)	(173)
Other inc./(exp.)	155	118	115	177	279
Exceptional items	0	0	0	0	0
EBT	776	1,123	1,518	2,168	2,730
Income taxes	210	290	383	546	688
Extraordinary items	(187)	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>753</b>	<b>832</b>	<b>1,136</b>	<b>1,621</b>	<b>2,042</b>
Adjustments	(187)	0	0	0	0
<b>Adjusted net profit</b>	<b>566</b>	<b>832</b>	<b>1,136</b>	<b>1,621</b>	<b>2,042</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	5,439	6,001	6,577	7,301	8,104
Other current liabilities	1,270	1,424	1,482	1,645	1,826
Provisions	0	0	0	0	0
Debt funds	1,116	864	789	714	639
Other liabilities	295	315	315	315	315
Equity capital	213	213	213	213	213
Reserves & surplus	6,176	6,730	7,411	8,384	9,609
Shareholders' fund	6,389	6,943	7,624	8,597	9,823
<b>Total liab. and equities</b>	<b>14,509</b>	<b>15,547</b>	<b>16,788</b>	<b>18,572</b>	<b>20,707</b>
Cash and cash eq.	663	548	1,181	1,862	2,744
Accounts receivables	4,620	5,128	5,558	6,170	6,848
Inventories	3,151	4,297	4,447	4,936	5,479
Other current assets	761	486	834	925	1,027
Investments	0	0	0	0	0
Net fixed assets	4,442	4,316	3,996	3,906	3,836
CWIP	0	0	0	0	0
Intangible assets	167	129	129	129	129
Deferred tax assets, net	0	0	0	0	0
Other assets	707	644	644	644	644
<b>Total assets</b>	<b>14,510</b>	<b>15,547</b>	<b>16,788</b>	<b>18,572</b>	<b>20,707</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>1,183</b>	<b>876</b>	<b>1,662</b>	<b>2,155</b>	<b>2,523</b>
Capital expenditures	(1,400)	(546)	(500)	(750)	(750)
Change in investments	(376)	213	0	0	0
Other investing cash flows	70	43	0	0	0
<b>Cash flow from investing</b>	<b>(1,705)</b>	<b>(290)</b>	<b>(500)</b>	<b>(750)</b>	<b>(750)</b>
Equities issued/Others	1	0	0	0	0
Debt raised/repaid	(183)	(372)	(75)	(75)	(75)
Interest expenses	0	0	0	0	0
Dividends paid	(274)	(347)	(454)	(649)	(817)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(457)</b>	<b>(720)</b>	<b>(529)</b>	<b>(724)</b>	<b>(892)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(980)</b>	<b>(134)</b>	<b>633</b>	<b>681</b>	<b>881</b>
<b>Closing cash &amp; cash eq.</b>	<b>663</b>	<b>548</b>	<b>1,181</b>	<b>1,862</b>	<b>2,744</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	3.5	3.9	5.3	7.6	9.6
Adjusted EPS	2.7	3.9	5.3	7.6	9.6
Dividend per share	1.5	1.5	2.1	3.0	3.8
Book value per share	30.0	32.6	35.8	40.4	46.2

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.7	1.5	1.4	1.3	1.1
EV/EBITDA	32.7	23.2	18.9	15.6	13.7
Adjusted P/E	83.7	56.9	41.7	29.2	23.2
P/BV	7.4	6.8	6.2	5.5	4.8

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	72.9	74.1	74.8	74.8	74.8
Interest burden (PBT/EBIT)	90.9	90.1	90.4	99.3	104.1
EBIT margin (EBIT/Revenue)	3.0	4.0	5.0	5.8	6.3
Asset turnover (Rev./Avg TA)	6.3	7.2	8.5	9.6	10.9
Leverage (Avg TA/Avg Equity)	0.7	0.6	0.5	0.5	0.4
Adjusted ROAE	9.3	12.5	15.6	20.0	22.2

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	11.2	10.0	9.3	11.0	11.0
EBITDA	(4.4)	41.1	22.7	20.9	13.9
Adjusted EPS	(25.4)	47.0	36.5	42.8	26.0

### Profitability & Return ratios (%)

EBITDA margin	5.1	6.6	7.4	8.1	8.3
EBIT margin	3.0	4.0	5.0	5.8	6.3
Adjusted profit margin	2.0	2.7	3.4	4.3	4.9
Adjusted ROAE	9.3	12.5	15.6	20.0	22.2
ROCE	10.3	13.2	16.6	19.9	22.0

### Working capital days (days)

Receivables	60	60	60	60	60
Inventory	41	51	48	48	48
Payables	71	71	71	71	71

### Ratios (x)

Gross asset turnover	5.9	4.4	4.5	4.6	4.7
Current ratio	1.3	1.3	1.4	1.5	1.6
Net interest coverage ratio	3.7	5.1	6.1	11.3	15.2
Adjusted debt/equity	0.2	0.1	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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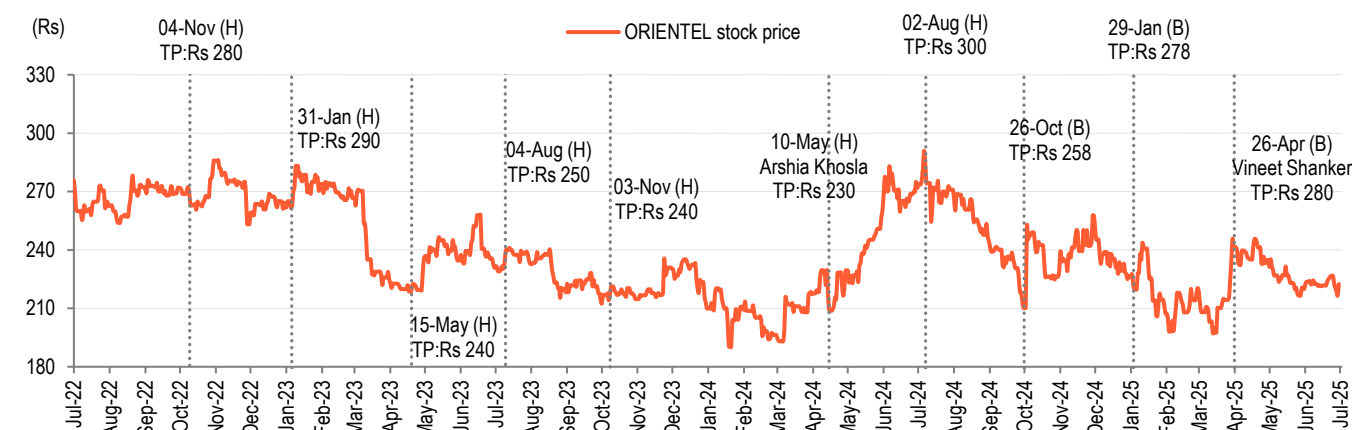
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**Note:** Recommendation structure changed with effect from 21 June 2021

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B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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