INSTITUTIONAL RESEARCH

Orient Electric

Driving growth with consistent execution

We hosted Orient Electric management represented by Mr. Ravindra Singh Negi, MD and CEO, and Mr. Arvind Vats, CFO, for a non-deal roadshow in Mumbai. Orient is repositioning itself from a fan-led franchise to a full-wall electrical brand through a three-stage strategy, with wires and switchgears (stage 1) and switches and lighting (stage 2) representing the key whitespace opportunities for expansion and topline growth, while fans and appliances (stage 3) continue to serve as the core pillars for brand equity, premiumization, and margin accretion. Orient aims to scale revenues to more than INR 50bn by FY29E by growing in mid-teens. While management noted that commodity inflation remains elevated, it believes the current cost pressures are not sustainable. Despite cost inflation, management remains confident of driving sustained margin improvement and is targeting a transition toward double-digit EBITDA margins over the coming years. Management further indicated that, with the festive season approaching, improving consumer sentiment and the normalization of channel inventory, the company expects demand to pick up. The lighting segment continues to deliver healthy performance despite industry-wide price deflation. Volume growth has remained strong over the past two years, supported by sustained premiumization. We believe the company is well-positioned to continue gaining share, which combined with improving mix and operating leverage, should aid steady margin expansion. With the stock having halved over the past five years, valuations now appear compelling. We model 12/15/20% revenue/EBITDA/APAT CAGRs over FY26–29E, underpinned by improving profitability and consistent growth across categories. We maintain BUY, with a unchanged target price of INR 225/sh, valuing the stock at 28x Sep-28E EPS. Orient Electric is a top pick in the sector.

- **From fan to fully electrical company:** Orient is repositioning itself from a fan-led franchise to a full-wall electrical brand through three stage strategy, with wires and switchgear (stage 1) and switches and lighting (stage 2) representing the key whitespace opportunities for expansion and topline growth, while fans and appliances (stage 3) continue to serve as the core pillars for brand equity, premiumization, and margin accretion. The strategic focus remains on increasing the contribution from non-fan categories, supported by an accelerated push toward premiumization and innovation fans, high-value luminaires, wires, switchgears and the appliances portfolio.

- **Commodity inflation high; ambition remains for double-digit margins:** While management noted that commodity inflation remains elevated, it believes the current cost pressures are not sustainable. The company has passed through ~75–80% of the inflationary impact, although gross-margin pressure persists in the near term. Despite this, management remains confident of driving sustained margin improvement and is targeting a transition toward double-digit EBITDA margins over the coming years. Management reiterated that the ideal gross margin range for the business should remain in 32–34% range. Its strategic focus remains on protecting volumes and market share, maintaining tight control on fixed costs, and driving a steady improvement in operating profitability.

BUY

CMP *(as on 20 Aug 2026)*	INR 186
Target Price	INR 225
NIFTY	24,232

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 225	INR 225
EPS %	FY27E	FY28E
	-	-

KEY STOCK DATA	
Bloomberg code	ORIENTEL IN
No. of Shares (mn)	213
MCap (INR bn) / ($ mn)	40/415
6m avg traded value (INR mn)	122
52 Week high / low	INR 219/149

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.5)	6.4	(11.5)
Relative (%)	(4.6)	12.4	(6.5)

SHAREHOLDING PATTERN (%)	Mar-26	Jun-26
Promoters	38.30	38.30
FIs & Local MFs	32.52	32.49
FPIs	3.42	3.28
Public & Others	25.76	25.93
Pl edged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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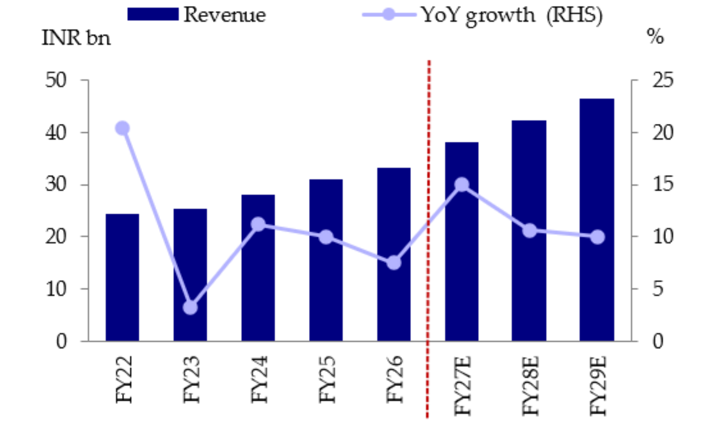
- **Demand and outlook:** The company aims to scale revenues to more than INR 50bn by FY29E by growing in mid-teens. Management further indicated that, with the festive season approaching, improving consumer sentiment and the normalization of channel inventory, the company expects demand to pick up. It highlighted that persistent commodity inflation continues to exert pressure on input costs. Additionally, higher labor costs, rising fuel prices, import delays, and broader geopolitical uncertainty have kept supply chains stretched, driving broad-based cost increases across the sector. To mitigate these pressures, the company has taken calibrated price hikes across categories. Management noted that industry-wide cost inflation has not been fully passed through to consumers, and the company will continue to take calibrated price hikes where necessary, without burdening consumers with the full extent of cost pressures.
- **Market share gains in fans; consistent performance in lighting:** The company highlighted that its consistently gaining market share in fan category, primarily driven by strong performance in BLDC fans, new product launches and increasing premiumization. In Q1, BLDC fans grew 36% YoY. Also, the lighting segment continues to deliver healthy performance despite industry-wide price deflation. Volume growth has remained strong over the past two years, supported by sustained premiumization.
- **Non-fans categories continue to scale well:** Management highlighted that the switchgear, switches, and wires portfolio continues to scale strongly. Notably, ~45% of its fan-channel dealers also deals in wires, creating a compelling cross-selling opportunity. The company plans to leverage its distribution strength to deepen penetration across these categories through dealer-led expansion. In Q1, wires grew over 200% YoY (albeit on a small base), while switches sustained momentum with double-digit growth. The company currently operates solely in the house-wires segment.
- **Outlook and valuation:** We believe the company is well-positioned to continue gaining share, which combined with improving mix and operating leverage, should aid steady margin expansion. With the stock having halved over the past five years, valuations now appear compelling. We model a CAGR of 12% for revenue, 15% for EBITDA, and 20% for APAT over FY26–29E, underpinned by improving profitability and consistent growth across categories. We maintain our BUY rating with a target price of INR 225/sh, valuing the stock at 28x Sep-28E EPS. Orient Electric is a top pick in the sector.

Financial summary (INR mn)

	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	28,121	30,937	33,264	38,253	42,316	46,548
EBITDA	1,443	2,037	2,291	2,679	3,171	3,522
APAT	566	832	1,060	1,325	1,649	1,818
Diluted EPS	2.7	3.9	5.0	6.2	7.7	8.5
P/E (x)	70.1	47.7	37.4	30.0	24.1	21.8
EV / EBITDA (x)	26.9	19.2	17.0	14.0	11.6	10.3
RoE (%)	9.3	12.5	14.6	16.4	18.2	18.0

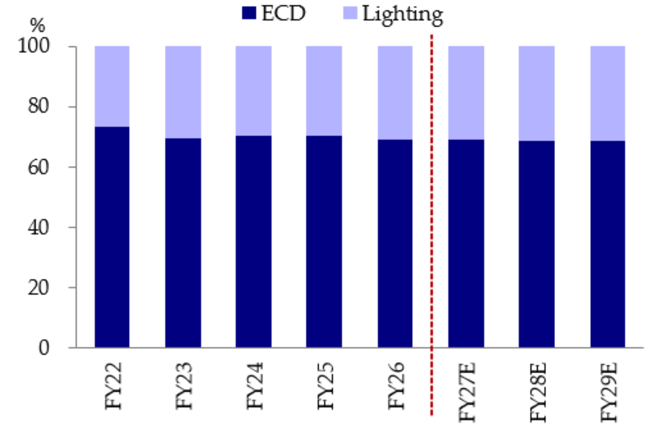
Source: Company, HSIE Research

Revenue to grow at 12% CAGR over FY26-29E



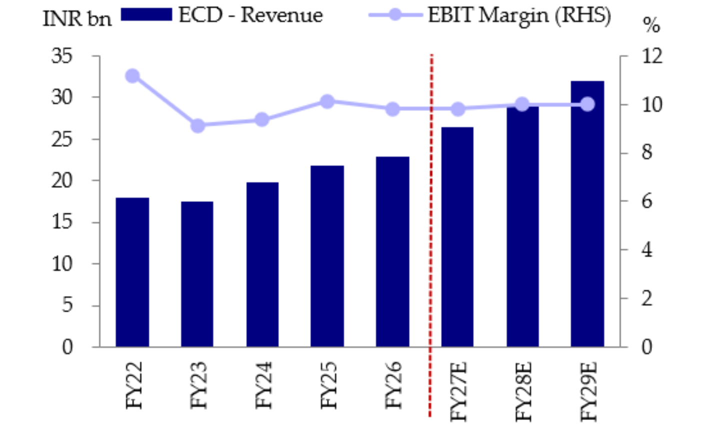
Source: Company, HSIE Research

Segmental revenue mix will remain similar



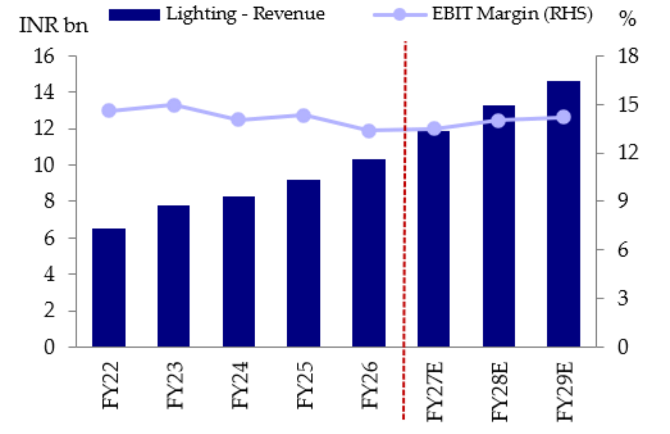
Source: Company, HSIE Research

ECD revenue to clock 12% CAGR over FY26-29E…



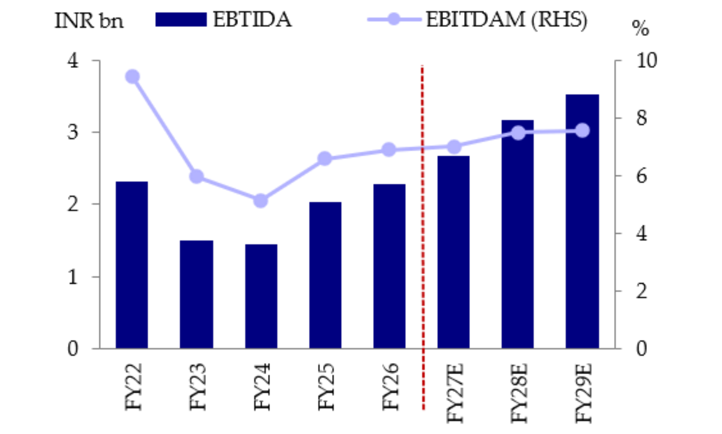
Source: Company, HSIE Research

…similar CAGR growth expected for lighting too



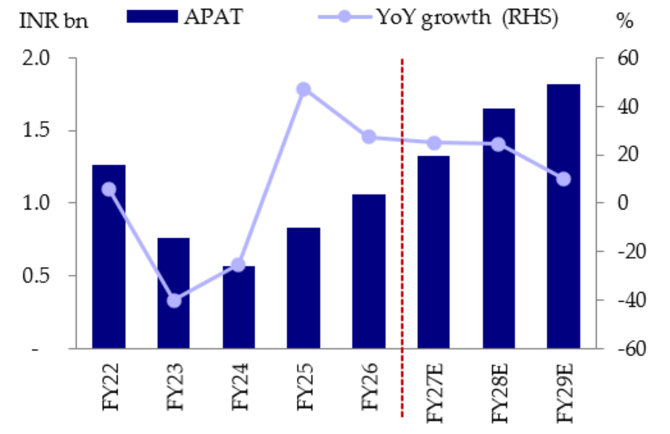
Source: Company, HSIE Research

EBITDA to witness 15% CAGR over FY26-29E…



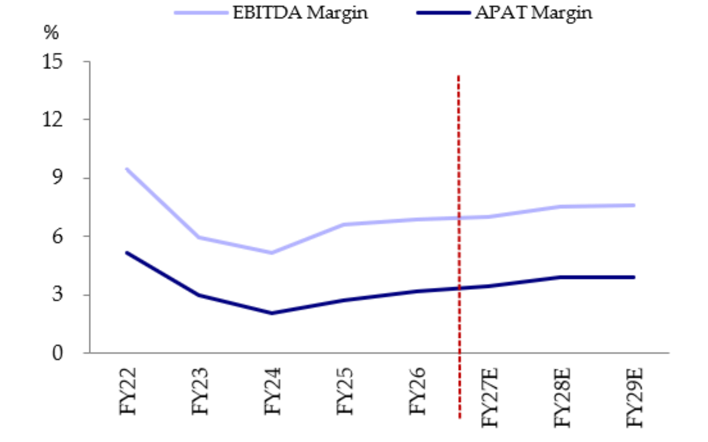
Source: Company, HSIE Research

…while APAT expected to grow at 20% CAGR



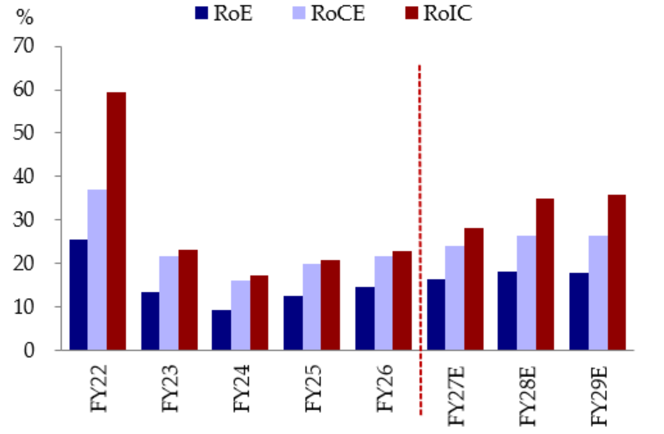
Source: Company, HSIE Research

Margin to improve going forward



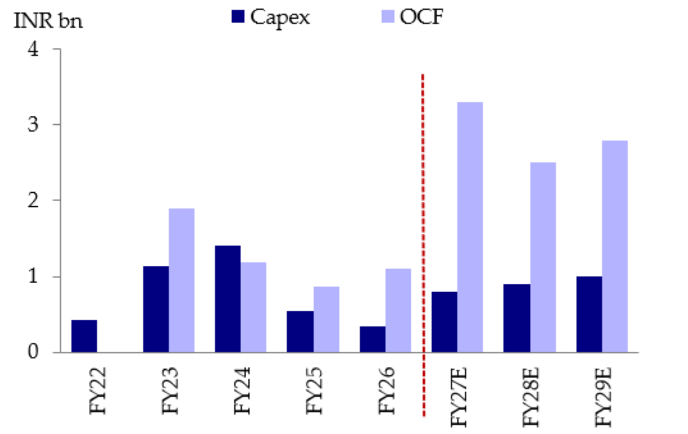
Source: Company, HSIE Research

Return ratios too will see improvement



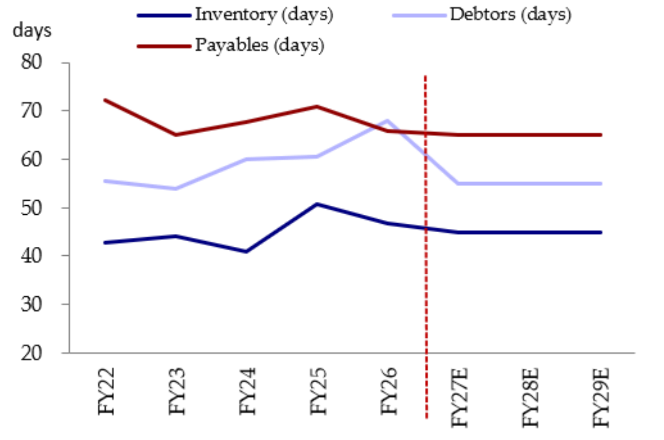
Source: Company, HSIE Research

OCF will exceed capex, leading to strong cash flow generation



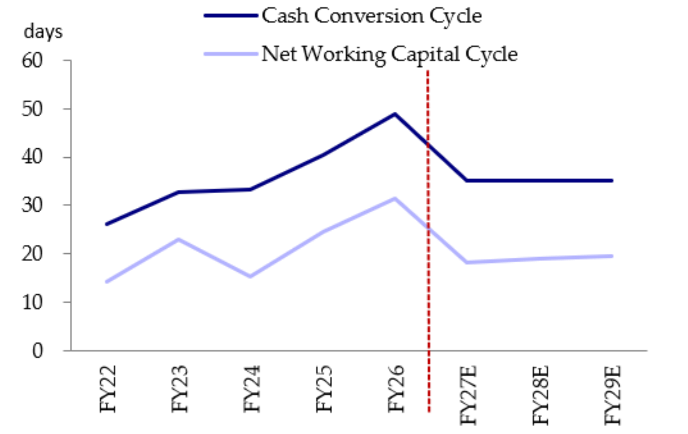
Source: Company, HSIE Research

Debtor days to improve while inventory and payable days to remain broadly similar



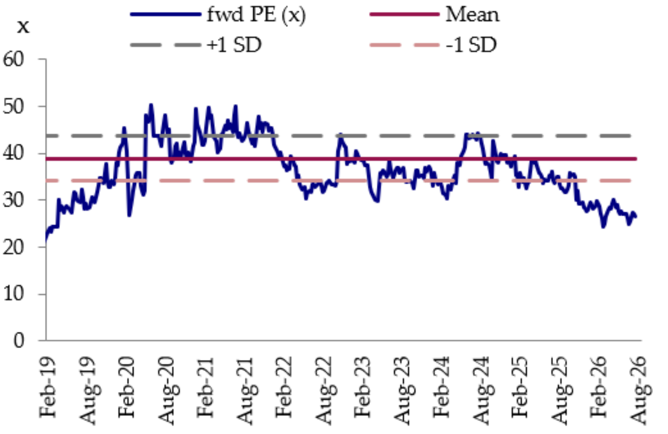
Source: Company, HSIE Research

Working capital cycle to improve from elevated levels



Source: Company, HSIE Research

The stock's 1-year forward P/E is trading below its 5-year average by more than 1 standard deviation



Source: Company, HSIE Research

Income Statement

Year end march (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues	**28,121**	**30,937**	**33,264**	**38,253**	**42,316**	**46,548**
Growth (%)	11.2	10.0	7.5	15.0	10.6	10.0
Material Expenses	19,570	20,996	22,902	26,586	29,198	32,118
Employee Expense	2,589	3,061	3,080	3,443	3,808	4,189
Other Expenses	4,519	4,843	4,991	5,546	6,138	6,719
EBITDA	**1,443**	**2,037**	**2,291**	**2,679**	**3,171**	**3,522**
EBITDA Growth (%)	**(4.2)**	**41.1**	**12.5**	**16.9**	**18.4**	**11.1**
EBITDA Margin (%)	**5.1**	**6.6**	**6.9**	**7.0**	**7.5**	**7.6**
Depreciation	590	791	771	826	907	1,002
EBIT	**853**	**1,246**	**1,520**	**1,852**	**2,264**	**2,520**
Other Income (Including EO Items)	155	118	100	150	180	207
Interest	233	242	226	224	231	287
PBT	776	1,123	1,395	1,778	2,213	2,440
Total Tax	210	290	335	454	564	622
Exceptional Gain/ (loss)	187	-	(102)	-	-	-
RPAT	**753**	**832**	**959**	**1,325**	**1,649**	**1,818**
Adjusted PAT	**566**	**832**	**1,060**	**1,325**	**1,649**	**1,818**
APAT Growth (%)	**(25.4)**	**47.0**	**27.4**	**25.0**	**24.4**	**10.2**
EPS	**2.7**	**3.9**	**5.0**	**6.2**	**7.7**	**8.5**
EPS Growth (%)	**(25.6)**	**47.0**	**27.4**	**25.0**	**24.4**	**10.2**

Source: Company, HSIE Research

Balance Sheet

Year end march (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS						
Share Capital - Equity	213	213	213	213	213	213
Other Equity	6,176	6,730	7,388	8,339	9,401	10,419
Total Shareholders' Funds	**6,389**	**6,943**	**7,601**	**8,553**	**9,615**	**10,632**
Long Term Debt	-	-	-	-	-	-
Short Term Debt	209	171	264	200	200	200
Total Debt	209	171	264	200	200	200
Net Deferred Taxes	(302)	(342)	(429)	(412)	(389)	(365)
Other Non-Current Liabilities	943	754	811	854	881	905
TOTAL SOURCES OF FUNDS	**7,240**	**7,526**	**8,247**	**9,195**	**10,306**	**11,372**
APPLICATION OF FUNDS						
Net Block	1,396	3,660	3,397	3,585	3,843	4,151
Goodwill	-	-	-	-	-	-
CWIP	2,251	47	84	100	100	100
Intangible assets	142	127	95	107	117	112
Right of Use Assets	821	609	583	640	617	576
Non-Current Investments	-	-	-	-	-	-
Other Non-current Assets	405	302	306	344	374	406
Total Non-current Assets	**5,014**	**4,746**	**4,465**	**4,776**	**5,050**	**5,345**
Current-Investments	373	141	602	1,302	2,302	3,302
Inventories	3,151	4,297	4,256	4,716	5,217	5,739
Debtors	4,620	5,128	6,194	5,764	6,376	7,014
Cash & Equivalents	663	548	327	1,200	764	243
Other Current Assets	387	346	392	447	492	538
Total Current Assets	**9,194**	**10,459**	**11,772**	**13,430**	**15,152**	**16,836**
Creditors	5,207	6,001	6,007	6,812	7,536	8,289
Other Current Liabilities & Provisions	1,761	1,679	1,982	2,199	2,360	2,520
Total Current Liabilities	**6,969**	**7,680**	**7,990**	**9,011**	**9,896**	**10,809**
Net Current Assets	**2,226**	**2,779**	**3,782**	**4,419**	**5,255**	**6,027**
TOTAL APPLICATION OF FUNDS	**7,240**	**7,526**	**8,247**	**9,195**	**10,306**	**11,372**

Source: Company, HSIE Research

Cash Flow

Year end march (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	776	1,123	1,293	1,778	2,213	2,440
Non-operating & EO Items	83	386	622	25	21	19
Interest Expenses	233	93	74	224	231	287
Depreciation	590	791	771	826	907	1,002
Working Capital Change	(443)	(1,179)	(1,284)	907	(305)	(327)
Tax Paid	(57)	(353)	(375)	(454)	(564)	(622)
OPERATING CASH FLOW (a)	**1,183**	**859**	**1,100**	**3,307**	**2,503**	**2,799**
Capex	(1,400)	(546)	(334)	(800)	(900)	(1,000)
Free Cash Flow (FCF)	(217)	314	766	2,507	1,603	1,799
Investments	(376)	230	(420)	(700)	(1,000)	(1,000)
Non-operating Income	70	43	23	-	-	-
Others	-	-	-	-	-	-
INVESTING CASH FLOW (b)	**(1,705)**	**(274)**	**(731)**	**(1,500)**	**(1,900)**	**(2,000)**
Debt Issuance/(Repaid)	108	(38)	94	(64)	-	-
Interest Expenses	(37)	(27)	(26)	(224)	(231)	(287)
FCFE	(147)	248	834	2,219	1,372	1,511
Share Capital Issuance	84	-	-	-	-	-
Dividend	(320)	(320)	(320)	(373)	(587)	(800)
Others	(291)	(334)	(320)	(272)	(221)	(232)
FINANCING CASH FLOW (c)	**(457)**	**(720)**	**(573)**	**(933)**	**(1,039)**	**(1,320)**
NET CASH FLOW (a+b+c)	**(979)**	**(134)**	**(204)**	**874**	**(437)**	**(521)**
EO Items, Others	187	-	-	-	-	-
Closing Cash & Equivalents	657	523	319	1,193	757	236

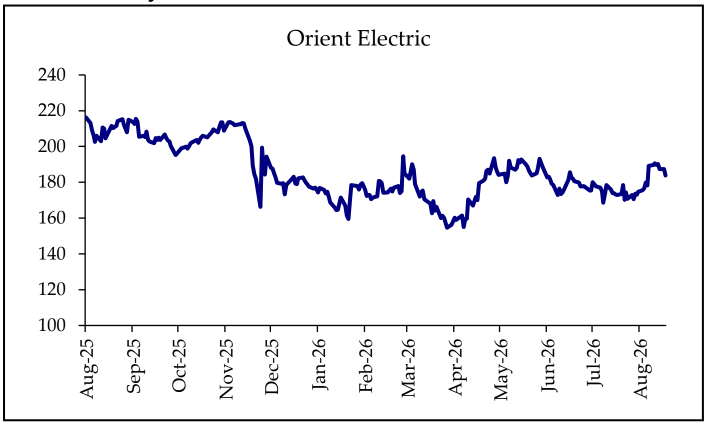
Source: Company, HSIE Research

Key Ratios

Year end march	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY (%)						
GPM	30.4	32.1	31.2	30.5	31.0	31.0
EBITDA Margin (%)	5.1	6.6	6.9	7.0	7.5	7.6
EBIT Margin	3.0	4.0	4.6	4.8	5.4	5.4
PBT Margin	2.8	3.6	4.2	4.6	5.2	5.2
APAT Margin	2.0	2.7	3.2	3.5	3.9	3.9
RoE	9.3	12.5	14.6	16.4	18.2	18.0
RoIC (or Core RoCE)	17.3	20.8	22.8	28.1	34.8	35.9
RoCE	16.1	19.9	21.6	24.1	26.3	26.4
EFFICIENCY						
Tax Rate (%)	27.1	25.9	24.0	25.5	25.5	25.5
Fixed Asset Turnover (x)	8.2	6.3	5.3	5.8	5.7	5.7
Inventory (days)	41	51	47	45	45	45
Debtors (days)	60	60	68	55	55	55
Other Current Assets (days)	5	4	4	4	4	4
Payables (days)	68	71	66	65	65	65
Other Current Liab & Provns (days)	23	20	22	21	20	20
Working capital cycle (days)	15	25	31	18	19	19
Net D/E (x)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.0)
Interest Coverage (x)	3.7	5.1	6.7	8.3	9.8	8.8
PER SHARE DATA (Rs)						
EPS	2.7	3.9	5.0	6.2	7.7	8.5
CEPS	5.4	7.6	8.6	10.1	12.0	13.2
Dividend	1.5	1.5	1.5	2.8	3.8	4.8
Book Value	29.9	32.5	35.6	40.1	45.1	49.8
VALUATION						
P/E (x)	70.1	47.7	37.4	30.0	24.1	21.8
P/BV (x)	6.2	5.7	5.2	4.6	4.1	3.7
EV/EBITDA (x)	26.9	19.2	17.0	14.0	11.6	10.3
EV/Revenues (x)	1.4	1.3	1.2	1.0	0.9	0.8
OCF/EV (%)	3.0	2.2	2.8	8.8	6.8	7.7
FCF/EV (%)	(0.6)	0.8	2.0	6.7	4.4	4.9
FCFE/Mkt Cap (%)	(0.4)	0.6	2.1	5.6	3.5	3.8
Dividend Yield (%)	0.8	0.8	0.8	1.5	2.0	2.6

Source: Company, HSIE Research

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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