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INSTITUTIONAL EQUITIES

October 18, 2025

RESULT REPORT Q2 FY26 | Sector: Consumer Durables

Orient Electric Ltd

Key categories witness market share gains; reiterate BUY

Result Synopsis- Share of value-added products is on rise

Strong performance of Lighting and Switchgear segment results in revenue growth - Revenue grew 6.4% yoy despite seasonal softness beating street estimates by 1%. The quarter has been transitional impacted by GST reforms and rains across the regions. ORIENTEL has been focusing on strong execution across emerging categories and continued focus on premiumization.

Growth in premium fans has resulted in flat revenue despite high channel inventory– ECD segment has been flat yoy. and declined by 19% on a qoq basis. BLDC sales surged by over 40% yoy. contributing almost 30% of fan sales, while NPD has contributed 34% of the Fans sales. Water Heaters registered high single-digit growth, driven by new launches, while coolers witnessed a de-growth impacted by weak summers. ORIENTEL fans market share has improved by 60bps underpinned by expanded DTM reach and strong momentum in digital channel.

Impact of price hikes nullified against commodity price increase – The company had taken price increase in September in the fans category to the tune of 1.5% which provided cushion amidst high commodity price hikes. Despite ongoing price erosions in the lighting category, the company's premium salience has enabled them to implement selective price hikes in the retail lighting.

Margins have remained flat – Gross margins saw a temporary blip this quarter at 31.5%, while EBITDA margin at 5.4% has remained flat on a yoy basis, on higher fixed expenses. Cost reduction initiatives to the tune of 240mn along with absence of consultancy fees has resulted in lowering other expenses.

Value added products in lighting drives market share gains– Lighting segment grew 14% yoy despite continued price erosion in B2C lighting. Increase in share of luminaries on back of premiumization and strong traction in B2B street lighting projects has resulted in outperformance. ORIENTEL is focusing on more value-added products, value-added categories contributed over 65% of Consumer Lighting. ORIENTEL has seen market share gains in lighting.

We believe ORIENTEL's strategy to increase the mix of premium value-added products and increased intensity of new product launches is driving industry outperformance. This along with focus on increasing distribution will bode well for company going forward. The company has been gaining market share in its key categories of fans and lighting. Moreover, ORIENTEL has already created capacities to take care of growth for next 3 years. We believe if strategy is executed well it could result in earnings upgrades. We continue to remain positive on the stock and reiterate our BUY rating with PT of Rs269, valuing 35x on FY27. Given the increasing proportion of premium products there can be upside risk to our margin estimates. The company believes muted demand environment is seasonal and not structural and festive season should see better demand traction.

Exhibit 1: Actual vs estimates

Parameter	Q2FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Revenue	7,026	-8.6%	6.4%	Miss	Beat
EBITDA	379	-17.7%	6.4%	Miss	Beat
EBITDA Margin (%)	5.4%	-59 bps	0 bps	Miss	Beat
PAT / EPS	121	-31.2%	15.5%	Miss	Beat

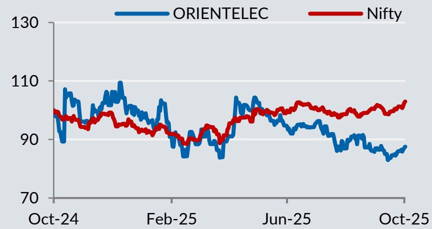
Source: Company, YES Sec

Reco	:	**BUY**
CMP	:	Rs 207
Target Price	:	Rs 269
Potential Return	:	+30.0%

Stock data (as on Oct 18, 2025)

Nifty	25,710
52 Week h/l (Rs)	265/177
Market cap (Rs/USD mn)	43751 /497
Outstanding Shares (mn)	213
6m Avg t/o (Rs mn):	38
Div yield (%):	0.7
Bloomberg code:	ORIENTEL IN
NSE code:	ORIENTELEC

Stock performance



	1M	3M	1Y
Absolute return	0.5%	-9.1%	-10.7%

Shareholding pattern (As of Sep'25 end)

Promoter	38.3%
FII+DII	35.6%
Others	26.8%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	269	279

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	5.5	7.7
EPS (Old)	5.8	8.0
% change	-4.4%	-3.9%

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Revenue	30,937	34,524	38,700
YoY Growth	10.0%	11.6%	12.1%
EBIDTA	2,037	2,520	3,096
YoY Growth	41.1%	23.7%	22.8%
PAT	832	1,184	1,640
YoY Growth	10.5%	42.2%	38.6%
ROE	12.5	16.2	20.1
EPS	3.9	5.5	7.7
P/E	53.1	37.3	26.9
BV	32.5	35.9	40.7
EV/EBITDA	21.5	16.9	13.4

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ANALYST VIEW & INVESTMENT THESIS

Orient Electric (ORIENTEL) revenue growth of 6.4% was marginally below our estimates. ORIENTEL market share gain in key categories of Fans and lighting is commendable. New product launches, value addition coupled with customer centric products and strategies have resulted in market share gains. Share of premium value-added products have been steadily increasing resulting in improved margins. Hyderabad plant operation is scaling up and it will further add to the margins once the scale is achieved. The company believes muted demand environment is seasonal and not structural. 2H is expected to be better as high channel inventory is getting liquidated and festive season ahs started on positive note. On the margin front company is on track to reach double digit EBITDA margin in next 6 to 8 quarters on sustainable basis. Given the investments that company is undertaking for strong growth in domestic markets and new exports opportunity we expect company to deliver industry leading growth with margins improving from next fiscal. We continue to remain positive on the stock and reiterate our BUY rating with PT of Rs269, valuing 35x on FY27. We are penciling conservative estimates on the margin front and there is a strong possibility that ORIENTEL can surpass our estimates if management can execute its strategy well.

We are anticipating revenue CAGR of 12%, and EBITDA and PAT CAGR of 23% and 40% respectively for FY25-27E. We have modelled EBITDA margins to be ~8.0% in FY27 which we believe can be achieved given the work the company has on the cost savings. ORIENTEL is expected to outperform peers and could lead to further market share gains. We believe if strategy is executed well it could result in earnings upgrades.

Exhibit 2: Quarterly snapshot (Standalone)

Rs mn	Q2FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Net Sales	6,602	7,691	7,026	6.4	(8.6)	14,717	14,150	4.0
EBITDA	357	461	379	6.4	(17.7)	840	757	11.0
EBITDA Margin (%)	5.4	6.0	5.4					
Depreciation	196.1	194.5	191.0	(2.6)	(1.8)	386	372	3.8
EBIT	160	266	188	17.4	(29.3)	455	386	17.9
EBIT %	2.4	3.5	2.7			3.1	2.7	
Interest	60	55	50	(16.2)	(7.7)	105	117	(10.7)
Other Income	41.9	24.8	25.0	(40.3)	0.8	50	67	(25.2)
PBT	142	237	163	14.5	(31.1)	400	335	19.3
Tax	37.9	61.3	42.4	11.9	(30.8)	104	87	19.0
ETR	26.6	25.9	26.0			25.9	26.0	
PAT	104	175	121	15.5	(31.2)	296	248	19.4
PAT Margin %	1.6	2.3	1.7			2.0	1.8	
EPS (Rs)	0.5	0.8	0.6	15.5	(31.2)	1	1	19.4

Source: Company, YES Sec

Exhibit 3: Segmental Performance

Rs mn	Q2FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Electrical consumer durable	4,395	5,450	4,409	0.3	(19.1)	9,859	9,844	0.2
Lighting & Switchgears	2,206	2,241	2,617	18.6	16.8	4,858	4,306	12.8
Net Sales	6,602	7,691	7,026	6.4	(8.6)	14,717	14,150	4.0
PBIT								
Electrical consumer durable	388.5	369.3	363.0	(6.6)	(1.7)	732	883	(17.0)
PBIT %	8.8	6.8	8.2			7.4	9.0	
Lighting & Switchgears	299.7	389.6	341.7	14.0	(12.3)	731	690	6.1
PBIT %	13.6	17.4	13.1			15.1	16.0	
Total PBIT	688	759	705	2.4	(7.1)	1,464	1,572	(6.9)
Finance Costs	41.8	41.6	41.5	(0.7)	(0.2)	83	83	0.5
Unallocable expense	504	481	500	(0.8)	4.1	981	1,154	(15.0)
as % of sales	7.6	6.3	7.1			6.7	8.2	
PBT	142	237	163	14.5	(31.1)	400	335	19.3

Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Management Commentary**- The quarter was impacted by GST reform-related uncertainty and early monsoons, which created short-term liquidity and demand headwinds. However, structural drivers remained strong, and festive demand recovery toward quarter-end supported a stable performance backed by market expansion and portfolio diversification initiatives
- **Fans**- Fans delivered low single-digit growth with market share gains of 60 bps, driven by BLDC up ~40% YoY (now ~30% of domestic ceiling-fan sales) and a ~500 bps rise in premium/decorative mix; management took a ~1.5% price hike late September TPW inventories were higher for the quarter
- **Wires**- Wires business saw 2x year-on-year growth on a low base The company rolled out into stronger markets in north and some markets in the south. ORIENTEL is witnessing good response in the markets. The company leveraged its strong fans distribution network—since ~40% of fan dealers also stock wires
- **Hyderabad plant**- Hyderabad facility has been commissioned and is expected to improve the company's reach in South India, especially for TPW. Management believes the plant's agility and cost advantages will help capture market share gains
- **Margins**- Q2 FY26, gross margins stood at 31.5%, slightly below the company's guided range of 32–34%, which management attributed to inventory build-up and fixed factory costs however the company has reiterated its confidence in achieving double-digit EBITDA margins over the next 6–8 quarters and does not foresee any structural headwinds in achieving the target. Margin improvement will continue to be driven by a combination of product-mix optimization, channel strategy refinement, and ongoing cost-efficiency initiatives. Project Sanchay delivered ₹24 crore of savings in H1 FY26,
- **Working capital**- Working capital increased to about 32 days, compared to roughly 19 days in the same quarter last year due to temporary inventory buildup as in lighting the company did not want to miss out on any market opportunity for the Diwali season
- **Bee rating pricing** – Revision in BEE star-rating for ceiling fans will take effect from 1 January 2026, while TPW (table/pedestal/wall) fans will move to mandatory star-rating next year. The transition is expected to require an industry-wide price hike of roughly 3–4%, depending on commodity trends
- **Coolers** – The coolers segment faced an industry wide washout declining 80% yoy due to a weak summer and heavy rains that dampened demand and delayed trade restocking. Management expects normalization only from Q4FY26 going forward.
- **DTM strategy**- In Q2 FY26, Orient Electric expanded its Direct-to-Market (DTM) model to 12 states and the Pune market, with the DTM-to-MD mix now approaching one-third of total sales. DTM markets posted single-digit growth despite seasonality and contributed to a ~100 bps market share gain, while overall fan market share rose 60 bps year-to-date. The transition time has reduced to 45–60 days, and management highlighted smoother execution
- **Lighting, Switchgear** -Lighting, Switchgear grew18.6% YoY, led by strong traction in professional lighting projects (street and façade), where the company reported double-digit growth and continued market share gains of 70–80 bps in consumer lighting. Premium SKUs contributed ~65% of lighting sales, supported by smart and decorative products,. Management added that price erosion in lighting is plateauing, and long-term gross margin guidance of 32–34% remains unchanged.

Exhibit 4: Key Monitorable Triggers

What to Watch	Why it Matters	Timeline
Festive Demand	Inventory Liquidation	Immediate
Margin Expansion	Company expects to reach double digit margins	FY27
BEE rating change	Price increase in the Ceiling Fans Category	Q4FY26

Source: Company, YES Sec

Exhibit 5: Estimate Revisions (Rs mn)

Metric	Old Est (FY27E)	New Est	% Change	Reason
Revenue	39,331	38,700	-1.6%	High channel inventory has resulted in muted primary sales
EBITDA	3,186	3,096	-2.8%	Lower fixed cost absorption has resulted in EBITDA cut
PAT	1,704	1,640	-3.8%	Flow through of lower EBITDA has resulted in lower PAT

Source: Company, YES Sec

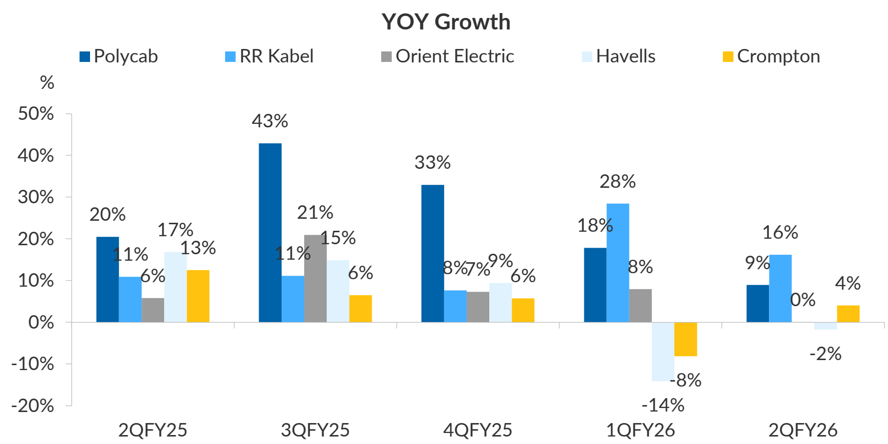
Exhibit 6: Valuation Snapshot

Valuation Metric	FY25E	FY26E	FY27E	5-year Avg (2 year forward)
P/E (x)	53.1	37.3	26.9	27.8
EV/EBITDA (x)	21.5	16.9	13.4	15.3
ROCE (%)	19.9	24.8	29.6	NA

Source: Company, YES Sec

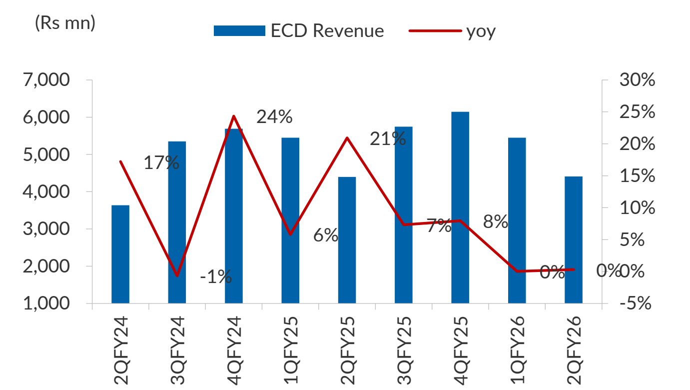
CHARTS

Exhibit 1: ORIENTEL has witnessed muted growth as compared to peers



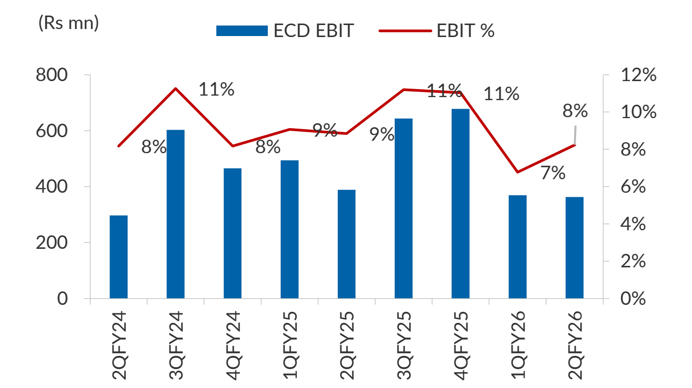
Source: Company, YES Sec Note: V-guard, RR Kabel, Crompton 1QFY26 revenue de-growth are our estimates

Exhibit 2: Unseasonal rainfall and slow start to summers have resulted in muted growth for fans and coolers



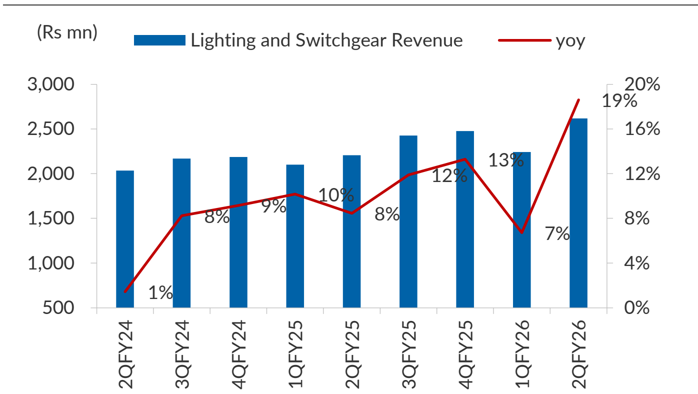
Source: Company, YES Sec

Exhibit 3: Negative operating leverage has resulted in lower margins



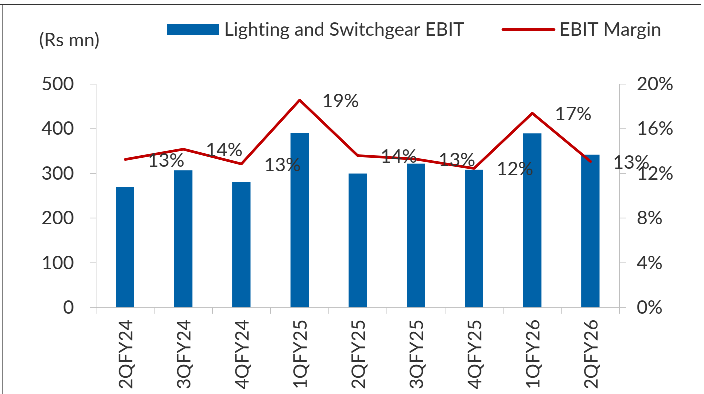
Source: Company, YES Sec

Exhibit 4: Consumer Lighting and switchgear continues to see market share gains



Source: Company, YES Sec

Exhibit 5: EBIT margins continues to remain strong despite the impact of continuous price erosion in B2C lighting on increasing value addition



Source: Company, YES Sec

FINANCIALS

Exhibit 6: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Equity capital	213	213	213	213	213
Reserves	5,634	6,176	6,730	7,458	8,467
Net worth	5,846	6,389	6,943	7,671	8,681
Debt	101	209	171	190	213
Deferred tax liab (net)	0	0	0	0	0
Other non current liabilities	964	943	754	760	797
Total liabilities	6,912	7,541	7,867	8,622	9,691
Fixed Asset	2,476	3,788	3,835	3,805	3,740
Investments	0	373	141	141	141
Other Non-current Assets	1,636	1,527	1,254	1,103	945
Net Working Capital	1,164	1,196	2,116	1,688	1,920
Inventories	2,846	3,151	4,297	4,275	4,792
Sundry debtors	3,560	4,620	5,128	5,562	6,234
Loans and Advances	22	31	52	58	65
Sundry creditors	4,530	5,439	6,001	6,697	7,507
Other current liabilities	894	1,225	1,361	1,489	1,638
Cash & equivalents	1,636	657	523	1,884	2,944
Total Assets	6,912	7,541	7,867	8,621	9,691

Source: Company, YES Sec

Exhibit 7: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	25,292	28,121	30,937	34,524	38,700
Operating profit	1,506	1,443	2,037	2,520	3,096
Depreciation	535	590	791	803	854
Interest expense	222	233	242	257	267
Other income	270	155	118	137	239
Profit before tax	1,019	776	1,123	1,597	2,214
Taxes	261	210	290	414	573
Minorities and other	-	-	-	-	-
Adj. profit	758	566	832	1,184	1,640
Exceptional items	-	187	-	-	-
Net profit	758	379	832	1,184	1,640

Source: Company, YES Sec

Exhibit 8: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Profit before tax	1,241	1,008	1,365	1,854	2,480
Depreciation	535	590	791	803	854
Tax paid	(261)	(210)	(290)	(414)	(573)
Working capital ∆	712	(405)	(688)	427	(232)
Other operating items					
Operating cashflow	2,227	983	1,177	2,671	2,529
Capital expenditure	(1,338)	(1,902)	(837)	(774)	(789)
Free cash flow	889	(919)	340	1,897	1,740
Equity raised	9	484	42	0	0
Investments	-	-	-	-	-
Debt financing/disposal	(62)	108	(38)	20	23
Interest paid	(222)	(233)	(242)	(257)	(267)
Dividends paid	(319)	(320)	(320)	(455)	(631)
Net ∆ in cash	135	(980)	(134)	1,361	1,061

Source: Company, YES Sec

Exhibit 9: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Tax burden (x)	0.74	0.73	0.74	0.74	0.74
Interest burden (x)	0.82	0.77	0.82	0.86	0.89
EBIT margin (x)	0.05	0.04	0.04	0.05	0.06
Asset turnover (x)	2.06	2.07	2.06	2.11	2.12
Financial leverage (x)	2.18	2.22	2.25	2.24	2.23
RoE (%)	13.5	9.2	12.5	16.2	20.1

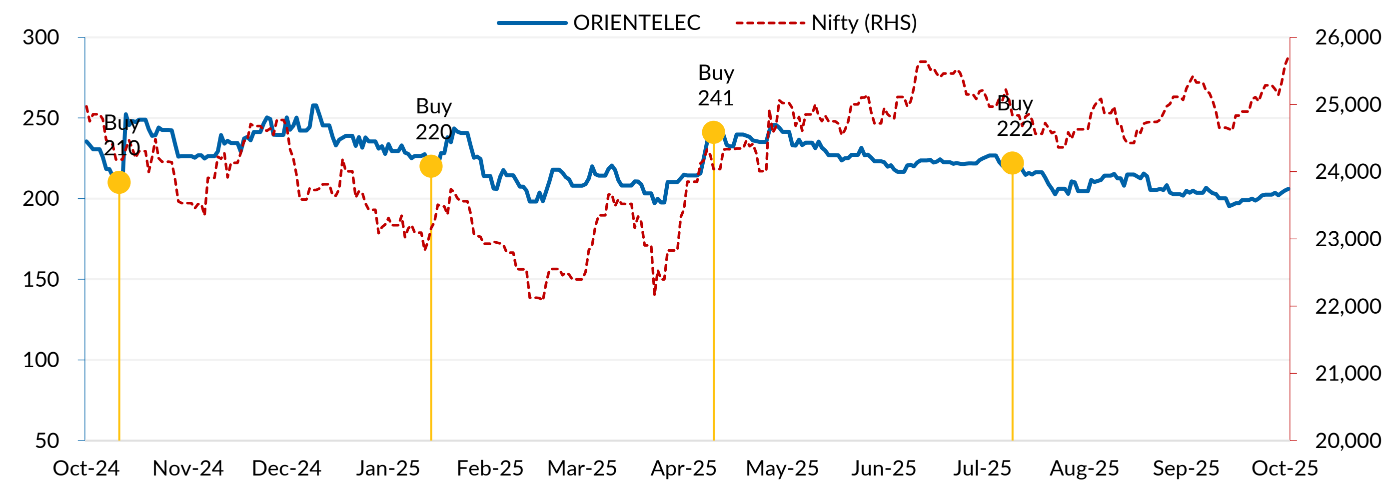
Exhibit 10: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25	FY26E	FY27E
Growth matrix (%)					
Revenue growth	3.3	11.2	10.0	11.6	12.1
Op profit growth	(34.9)	(4.2)	41.1	23.7	22.8
EBIT growth	(34.7)	(18.7)	35.3	35.9	33.8
Net profit growth	(40.1)	(25.4)	47.0	42.2	38.6
Profitability ratios (%)					
OPM	6.0	5.1	6.6	7.3	8.0
EBIT margin	4.9	3.6	4.4	5.4	6.4
Net profit margin	3.0	2.0	2.7	3.4	4.2
RoCE	21.6	16.1	19.9	24.8	29.6
RoNW	13.5	9.2	12.5	16.2	20.1

Orient Electric Ltd

Y/e 31 Mar	FY23	FY24	FY25	FY26E	FY27E
RoA	6.2	4.2	5.5	7.2	9.0
Per share ratios					
EPS	3.6	2.7	3.9	5.5	7.7
Dividend per share	1.5	1.5	1.5	2.1	3.0
Cash EPS	6.1	5.4	7.6	9.3	11.7
Book value per share	27.5	29.9	32.5	35.9	40.7
Valuation ratios					
P/E	58.1	116.5	53.1	37.3	26.9
P/CEPS	34.1	32.9	27.2	22.2	17.7
P/B	7.5	6.9	6.4	5.8	5.1
EV/EBIDTA	28.2	30.3	21.5	16.9	13.4
Payout (%)					
Dividend payout	42.1	56.6	38.5	38.5	38.5
Tax payout	25.6	27.1	25.9	25.9	25.9
Liquidity ratios					
Debtor days	51.4	60.0	60.5	58.8	58.8
Inventory days	41.1	40.9	50.7	45.2	45.2
Creditor days	65.4	70.6	70.8	70.8	70.8

Recommendation Tracker



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Analyst signature

Analyst signature

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