

ORIENT ELECTRIC LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.237.65 (As on 23rd Aug 2023)

TARGET PRICE : Rs.298.00

FACE VALUE : Re.1

BSE CODE : 541301

NSE CODE : ORIENTELEC





Orient Electric Ltd. is part of the diversified USD 2.4 billion Indian conglomerate CK Birla Group. A distinguished name in the Indian fan industry for more than 60 years, OEL has today established itself in the market as a one-stop brand for lifestyle electrical solutions which include Fans, Lighting, Home Appliances and Switch-gears.

ABOUT THE COMPANY

OEL is the largest manufacturer and exporter of fans from India with presence in over 40 international markets. It is also the second largest manufacturer of LED bulbs in India and the first Indian lighting brand to have been awarded BEE star rating for LED bulbs. In the domestic market, it has a well-organised distribution network reaching 1,25,000 retail outlets and a strong service network covering more than 450 cities.



Q1FY24 Snapshot

Healthy business momentum and net cash position



Sales

Rs 706cr

+13.5% YoY
+7.3% QoQ



ECD

Rs 515cr

+15.6% YoY
+12.5% QoQ



Lighting & Switchgear

Rs 191cr

+8.1% YoY
-4.8% QoQ



Gross Profit Margin

Rs 216cr **30.7%**

YoY +25.2% +285bps
QoQ +16.0% +232bps



EBITDA Margin

Rs 44cr **6.2%**

YoY +15.3% +10bps
QoQ -5.1% -81bps



PAT Margin

Rs 20cr **2.8%**

YoY +4.6% -24bps
QoQ -22.5% -107bps



Net Cash Position

Rs 156cr

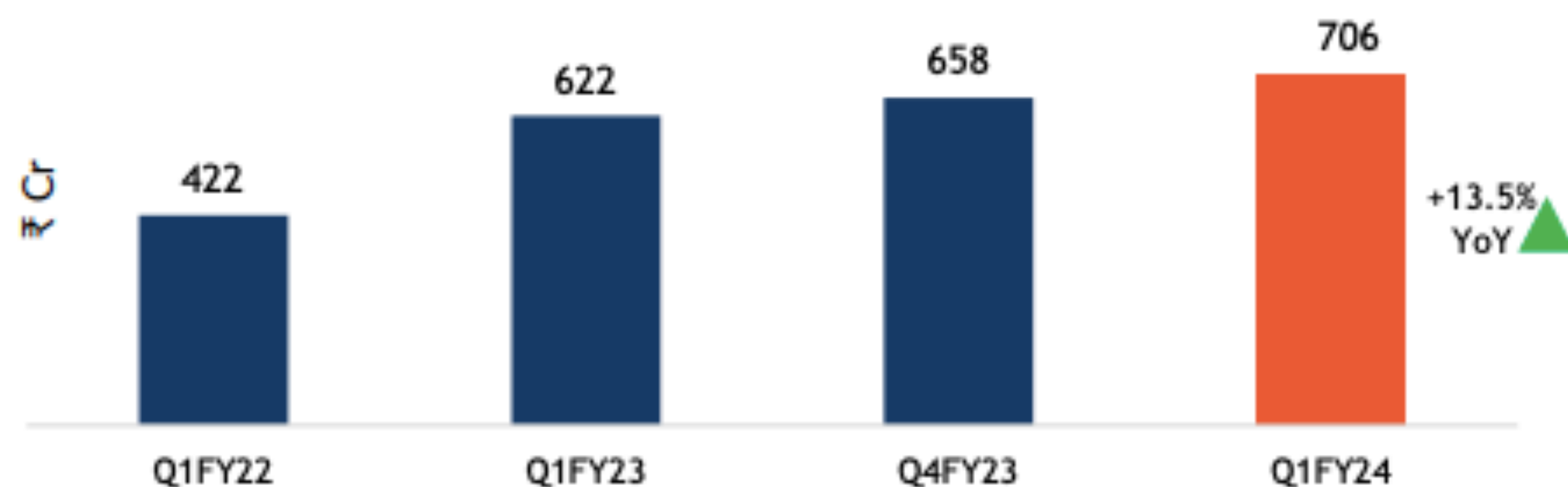
YoY -5.6%
QoQ +1.3%



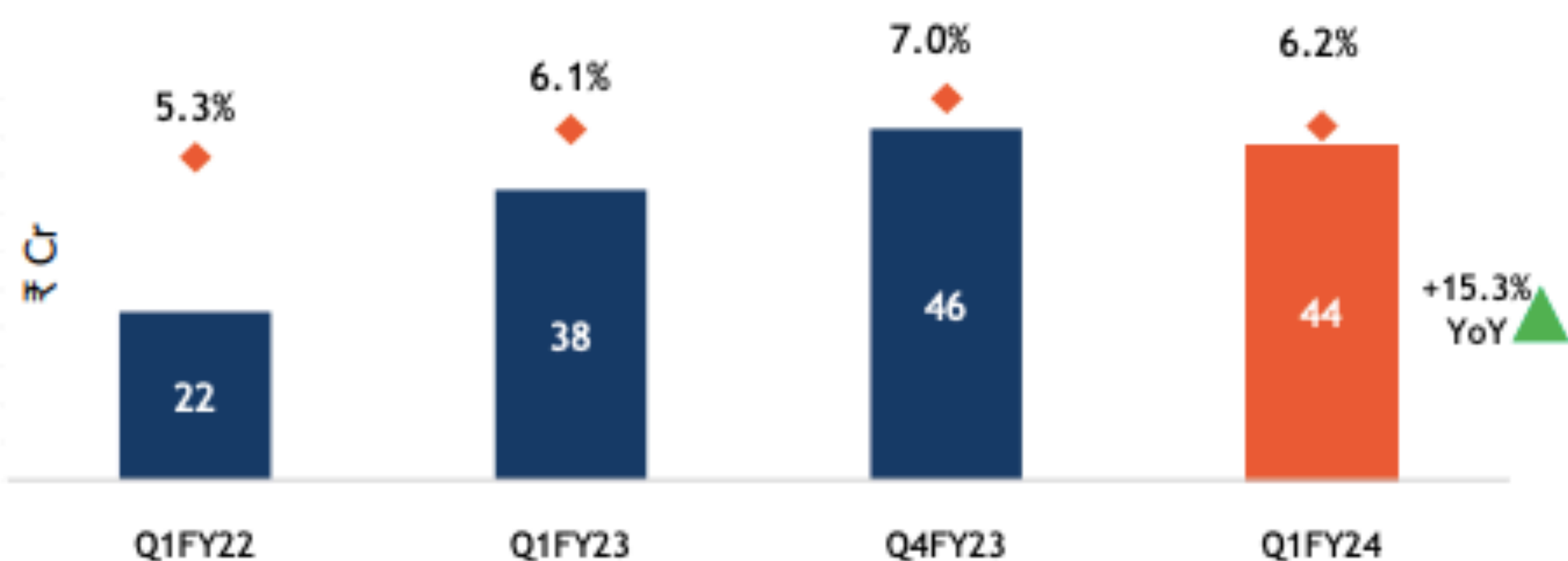
Q1FY24 Highlights

Double-digit growth led by ECD and improving gross margin profile

Revenue



EBITDA and EBITDA Margin



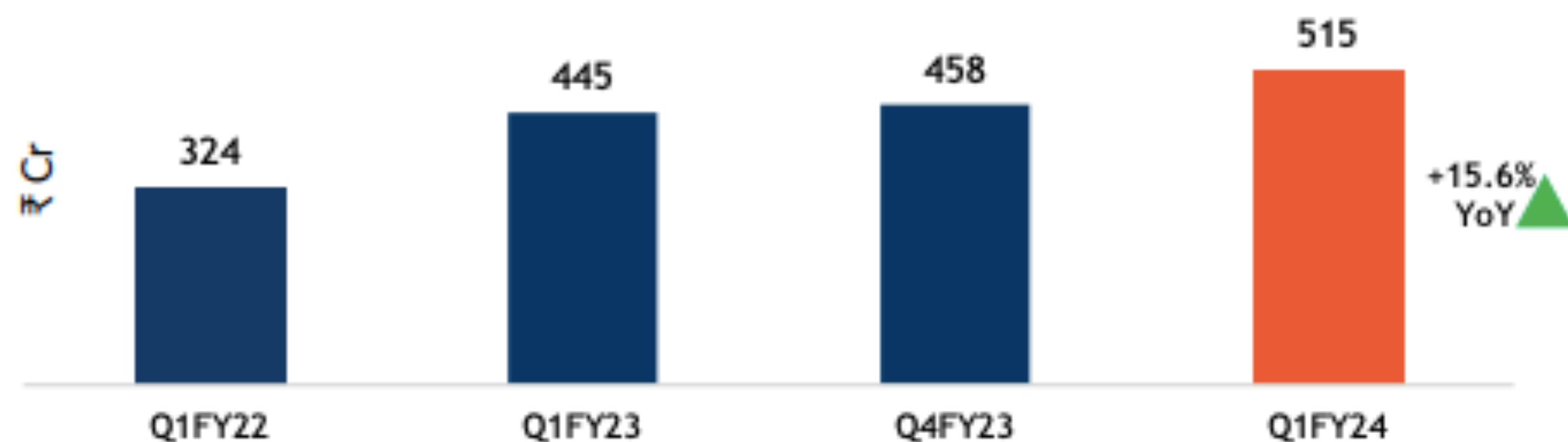
- Robust revenue growth of 13.5% YoY driven by the ECD portfolio despite headwinds
- Digital Revenue recorded 58% YoY growth
- Exports grew by 38% YoY despite geopolitical headwinds in key markets- Sudan, Sri Lanka and Ghana
- Gross Margin improvement aided by product mix changes with focus on Hero products, Project Sanchay and lower commodity prices
- Investments in capability, brand-building and talent continued for long-term sustainable growth
- Modest expansion in EBITDA Margin as increase in gross margin was offset by higher employee and other expenses
- Consequently, PAT grew by 4.6% YoY to ₹19.7cr
- Healthy free cash flow generation leading to net cash position of ₹156 cr., after Hyderabad project payout
- Continued improvement in working capital days, which stood at 13 days (vs 25 days as on end of Jun-2022)



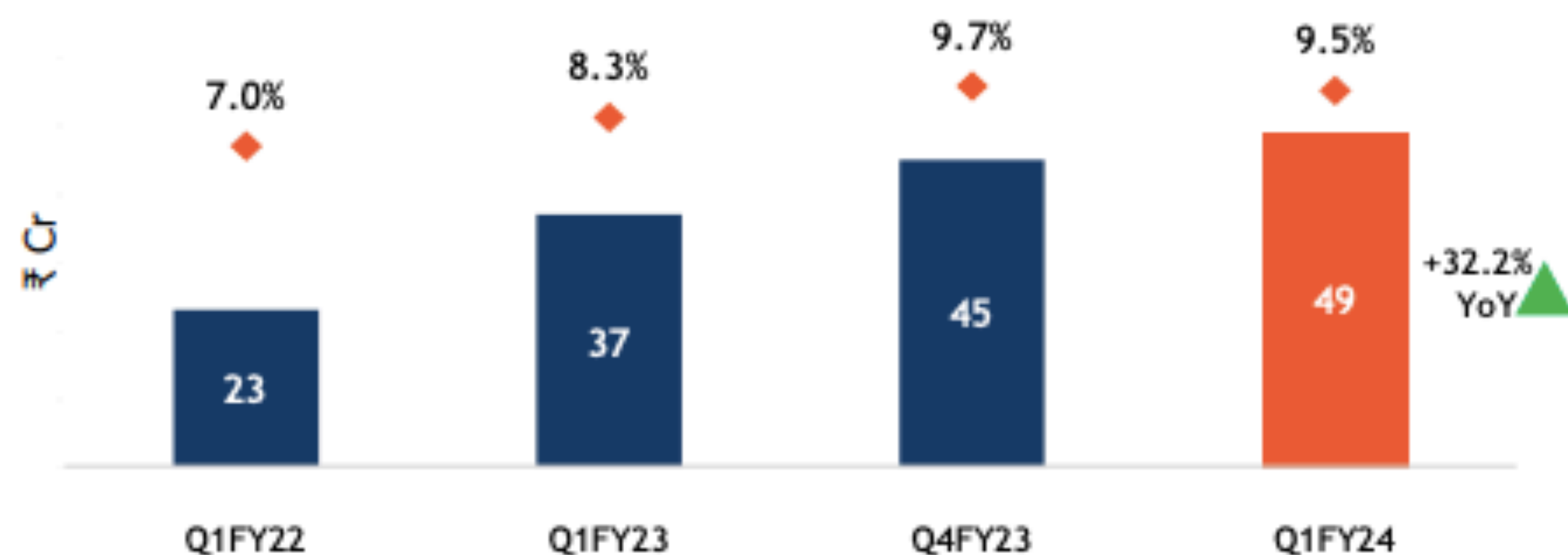
Q1FY24 Segment Highlights- ECD

Strategic initiatives supporting the performance in fans

Revenue



EBIT and EBIT Margin



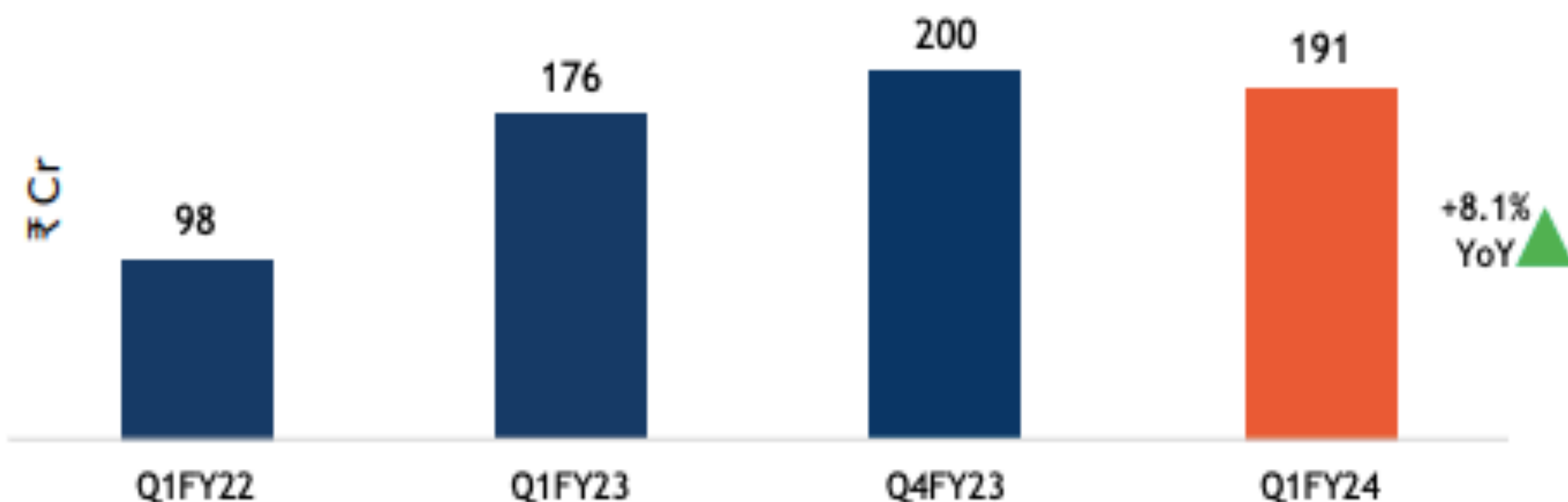
- ECD revenue grew by +15.6% YoY to ₹515cr, with broad-based growth across categories
- Fans grew by 16% YoY, volume growth (+10% YoY) led by reduction in the channel inventory and continued thrust of strategic initiatives
- Premium segment contributed ~32% to Fans portfolio offsetting the economy share; 3 new BLDC fans strengthened the portfolio
- Direct To Market (DTM) states grew 107% YoY, gaining regional market share
- Water Heaters grew by 23%; Demand for Air Coolers impacted due to unseasonal rains across North and West markets
- Small Appliances grew by 32% YoY, with green shoots of consumer demand revival in Tier2 & 3 cities
- EBIT grew by 32.2% with margin at 9.5%, +120bps YoY



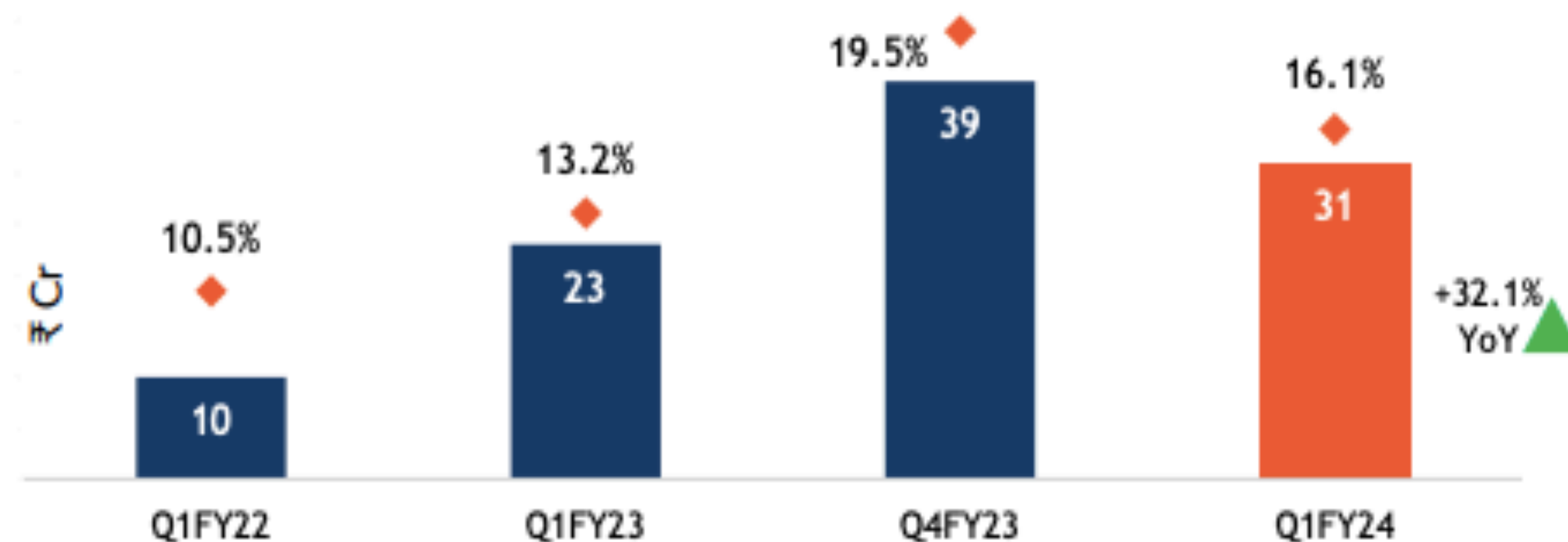
Q1FY24 Segment Highlights – L&S

Resilient growth amidst lower consumer demand and price reductions; B2B trends remain positive

Revenue



EBIT and EBIT Margin



- Lighting and Switchgear reported growth of 8.1% YoY, despite lower collections and price reduction in lamps owing to lower cost of DoB technology passed on to the market
- B2B registered 40% increase on YoY basis and healthy enquiry base
- B2C lighting growth was soft due to stressed market conditions and price reductions
- Switchgears saw encouraging B2B project wins in real estate sector and new initiatives are being implemented to support the business
- House Wires- Punjab & Bihar showed promising start
- Continued onboarding of channel partners in switchgears and house wires
- EBIT grew by 32.1% YoY with margin at 16.1%, on the back of better product mix and raw material cost reduction



New Product Launches (1/2)

- 15+ New SKUs launched in the quarter
- 8 SKUs in Lighting including panels, downlighters, wall lights and flexible lights in wide colour range
- 6 key SKUs in Water Heater broadening product portfolio
- 3 new BLDC fans launched - Ecotech, I-Falcon and Jazz Antidust
- Introduced new BLDC models and kitchen appliances on **ecommerce platforms** powering digital strategy
- New **colour variations** in highest selling models of fans based on consumer insights





New Product Launches (2/2)

Lighting

Razor Panel



Rainbow Panel-Square



Prism Surface



Flexi Spotlight



Water Heaters

Enamour Classic Neo



Orient EVA



Aura Rapid Pro





Strategic Growth Drivers

Five pillars of value creation



Go-to-market

Fans

- Expanding BLDC product portfolio
- Continued focus on growing in South India
- Initiatives in-place to drive overall distribution expansion and strengthening sales infrastructure with continued focus on growing DTM
- Ramping up investments in building focus product segments

Lighting

- Network expansion in key states
- Marketing investment to build market share



Lighting and Switchgear

- **B2B:** Building enquiry bank
- Growing P-Lum with focus on business development, and solution capability (product & design) buildout. Strengthening design capabilities in Façade Lighting.
- **B2C:** Distribution scale up and increasing share of value-added products in the portfolio to maintain high value growth



Digital

- Significantly scaling up E-Commerce business across categories
- Continued adoption of digital tools to optimize offline channel efficiency



Cost Reduction

- 'Spark Sanchay' cost savings of **Rs 15cr** in Q1FY24 and **Rs 60cr** in FY23
- Institutionalizing cost optimizing initiatives through Cost and Manufacturing Centers of Excellence



Overseas

- Exploring new markets, onboarding new channel partners and category expansion

Products

FANS

- › Ceiling Fans
- › Lifestyle Fans
- › Exhaust Fans
- › Table Fans
- › Pedestal Fans
- › Wall Fans
- › Multi-Utility Fans

CEILING FANS

- › Aero Series Fans
- › Energy Savers Fans
- › Under Light Fans
- › Decorative Fans
- › Anti Dust Fans
- › Basic Fans
- › Kids Fan

EXHAUST FANS

- › Heavy Duty Exhaust Fans
- › Light Duty Exhaust Fans
- › Medium Duty Exhaust Fans

HOME APPLIANCES

- › Air Cooler
- › Water Heater
- › Room heater
- › Dry Iron
- › Steam Iron
- › Juicer Mixer Grinder
- › Mixer Grinder
- › Nutri blender
- › Hand Blender
- › Wet Grinder
- › Induction Cooktop
- › Electric Rice Cooker
- › Induction Cooktop
- › Electric Kettle
- › Electric Toaster
- › Health Appliances

AIR COOLER

- › Desert Coolers
- › Tower Coolers
- › Outdoor Coolers
- › Personal Coolers
- › Plus Series
- › Window Coolers

ROOM HEATERS

- › Heat Convactor
- › Oil Filled Radiators

WATER HEATER

- › Storage Glassline Water Heater
- › Storage Nano Polymer Water Heater
- › Storage Stainless Steel Water Heater
- › Instant Water Heater
- › Gas Water Heater
- › Immersion Water Heater

BRANDS

DE-LONGHI GROUP

- › Fully Automatic Coffee Machine
- › Pump espresso
- › Combi Coffee Maker
- › Steam Coffee Maker
- › Coffee Grinder
- › Oil Filled Radiators
- › Drip Coffee Maker

KENWOOD

- › Kitchen Machine
- › Hand Mixer

LIGHTING

- › Eyeluv LED
- › LED Consumer Luminaires
- › LED Lamps & Tubes
- › LED Lamps & Tubes
- › PROFESSIONAL Lighting
- › FLOURESCENT TUBELIGHT & INCANDESCENT LAMP
- › Conventional Fitting
- › Decorative Lighting

LED CONSUMER LUMINAIRES

- › LED Battens
- › LED Down Lighters
- › LED Panels
- › LED Spot Lights
- › LED Flood Lights
- › LED Street Lights
- › LED Strip Light
- › More LED Products

LED LAMPS & TUBES

- › LED Lamp
- › LED Tubes

PROFESSIONAL LIGHTING

- › Indoor Lighting
- › Retail Lighting

SWITCHGEARS

- › Stella Modular Switches & Sockets
- › Stella Modular Plates
- › Stella Modular Accessories
- › Miniature Circuit Breaker (MCB)
- › Residual Current Circuit Breaker (RCCB)
- › Isolator
- › Distribution Board
- › Wiring Accessories
- › Salus Modular Switches
- › Salus Hospitality Switchgear Range
- › Salus Modular plates
- › I Nex - Smart Plugs
- › Building Accessories
- › MCB Protected Power Board
- › MCB Changeover

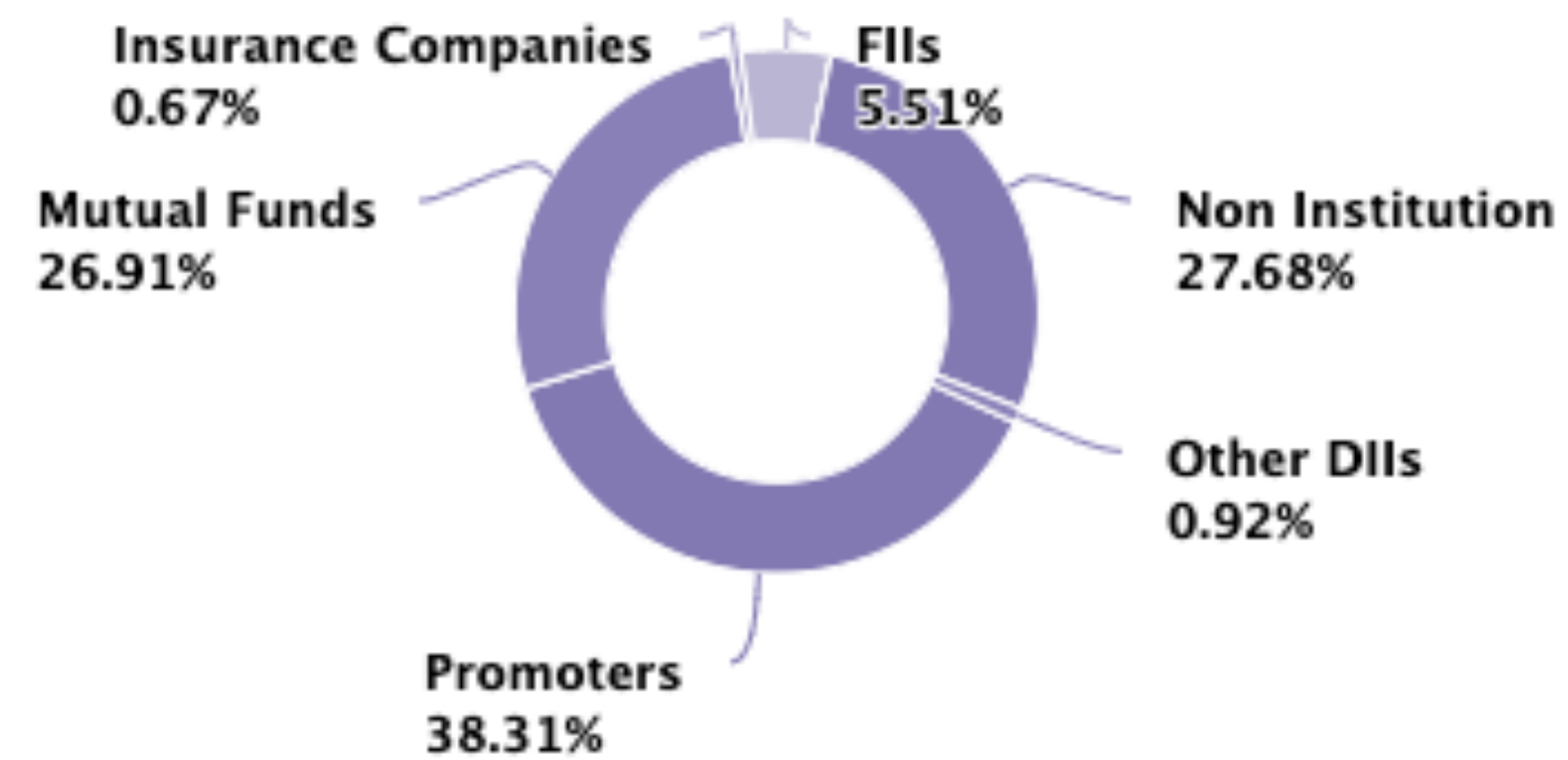
Yearly Results

YEARLY RESULTS OF ORIENT ELECTRIC LIMITED (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	2,529.17	2,448.37	2,032.60	2,061.82	1,864.40
Total Income From Operations	2,529.17	2,448.37	2,032.60	2,061.82	1,864.40
EXPENDITURE					
Consumption of Raw Materials	762.05	843.32	655.20	773.22	702.27
Purchase of Traded Goods	1,028.95	979.30	731.07	670.13	558.98
Increase/Decrease in Stocks	33.18	-56.01	34.68	-34.00	-38.07
Employees Cost	192.60	190.46	179.17	198.48	172.68
Depreciation	53.50	47.08	43.15	40.12	23.05
Other Expenses	361.41	259.98	212.97	277.57	327.26
P/L Before Other Inc. , Int., Excpt. Items & Tax	97.48	184.24	176.36	136.30	118.23
Other Income	26.61	5.81	6.27	4.09	9.53
P/L Before Int., Excpt. Items & Tax	124.09	190.05	182.63	140.39	127.76
Interest	22.15	20.29	20.73	26.12	22.86
P/L Before Exceptional Items & Tax	101.94	169.76	161.90	114.27	104.90
P/L Before Tax	101.94	169.76	161.90	114.27	104.90
Tax	26.09	43.12	42.16	35.65	35.59
P/L After Tax from Ordinary Activities	75.85	126.64	119.74	78.62	69.31
Net Profit/(Loss) For the Period	75.85	126.64	119.74	78.62	69.31
Equity Share Capital	21.28	21.22	21.22	21.22	21.22
Reserves Excluding Revaluation Reserves	563.36	520.09	434.44	338.17	285.36
Equity Dividend Rate (%)	150.00	200.00	200.00	115.00	100.00
EPS BEFORE EXTRA ORDINARY					
Basic EPS	3.57	5.97	5.64	3.71	3.27
Diluted EPS	3.56	5.95	5.63	3.70	3.27
EPS AFTER EXTRA ORDINARY					
Basic EPS.	3.57	5.97	5.64	3.71	3.27
Diluted EPS.	3.56	5.95	5.63	3.70	3.27

Key Financial Ratios

KEY FINANCIAL RATIOS OF ORIENT ELECTRIC LIMITED (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	3.57	5.97	5.64	3.71	3.27
Diluted EPS (Rs.)	3.56	5.95	5.63	3.70	3.27
Cash EPS (Rs.)	6.08	8.19	7.68	5.60	4.35
Book Value [ExclRevalReserve]/Share (Rs.)	27.47	25.51	21.47	16.94	14.45
Book Value [InclRevalReserve]/Share (Rs.)	27.47	25.51	21.47	16.94	14.45
Dividend / Share(Rs.)	1.50	2.00	2.00	1.15	1.00
Revenue from Operations/Share (Rs.)	118.85	115.38	95.79	97.16	87.86
PBDIT/Share (Rs.)	8.35	11.17	10.64	8.51	7.11
PBIT/Share (Rs.)	5.83	8.96	8.61	6.62	6.02
PBT/Share (Rs.)	4.79	8.00	7.63	5.39	4.94
Net Profit/Share (Rs.)	3.56	5.97	5.64	3.70	3.27
PROFITABILITY RATIOS					
PBDIT Margin (%)	7.02	9.68	11.10	8.75	8.08
PBIT Margin (%)	4.90	7.76	8.98	6.80	6.85
PBT Margin (%)	4.03	6.93	7.96	5.54	5.62
Net Profit Margin (%)	2.99	5.17	5.89	3.81	3.71
Return on Networth / Equity (%)	12.97	23.39	26.27	21.87	22.60
Return on Capital Employed (%)	18.21	30.89	35.61	32.65	37.07
Return on Assets (%)	5.99	10.66	10.30	8.18	7.79
Total Debt/Equity (X)	0.02	0.03	0.03	0.26	0.41
Asset Turnover Ratio (%)	2.06	2.08	1.92	214.67	209.77
LIQUIDITY RATIOS					
Current Ratio (X)	1.49	1.56	1.37	1.32	1.33
Quick Ratio (X)	1.00	0.99	0.99	0.78	0.84
Inventory Turnover Ratio (X)	2.50	2.93	2.45	7.20	7.06
Dividend Payout Ratio (NP) (%)	56.00	33.49	22.14	31.03	30.61
Dividend Payout Ratio (CP) (%)	32.84	24.41	16.28	20.54	22.97
Earnings Retention Ratio (%)	44.00	66.51	77.86	68.97	69.39
Cash Earnings Retention Ratio (%)	67.16	75.59	83.72	79.46	77.03
VALUATION RATIOS					
Enterprise Value (Cr.)	5,598.93	6,689.61	6,358.20	4,279.23	3,331.59
EV/Net Operating Revenue (X)	2.21	2.73	3.13	2.08	1.79
EV/EBITDA (X)	31.53	28.21	28.16	23.71	22.09
MarketCap/Net Operating Revenue (X)	2.27	2.79	3.25	2.03	1.74
Retention Ratios (%)	43.99	66.50	77.85	68.96	69.38
Price/BV (X)	9.84	12.61	14.49	11.66	10.56
Price/Net Operating Revenue	2.27	2.79	3.25	2.03	1.74
Earnings Yield	0.01	0.02	0.02	0.02	0.02

Shareholding Pattern an on Jun'23



Summary

- ❖ On quarterly basis, the Company delivered steady performance in Q1 of FY'23, with Net Sales up by 13.51% i.e. Rs.705.63 crs in Jun'23 as compared to Rs.621.63 crs in Jun'22. However, the Net Profits increased by 3.90% i.e. Rs.19.69 crs in Jun'23 versus Rs.18.95 crs in Jun'22. Additionally, the Statement of Changes in Equity witnessed a slight increase in the Equity Capital i.e. Rs.21.34 crs in Jun'23 juxtapose to Rs.21.22 crs in Jun'22.
- ❖ As per fine financials and fair fundamentals, the Company is available at a good price of Rs.237.65 with its 52 week low of Rs.215.65 and 52 week high of Rs.291.00.
- ❖ Since the Promoters are holding majority stake around 38.31% as well as its consistent performance, it is fair to assume that the Management is working efficiently and is growth oriented.
- ❖ In Public Shareholding as on Jun'23, the FIIs and the Other DIIs cumulatively stood with 6.43% stake. Whilst, the Mutual Fund Houses own 26.91% holdings in the Company.
- ❖ As a fact of reassurance Orient Electric Ltd. is held by MIRAE MF, NIPPON INDIA MF, AXIS MF, KOTAK MF, ICICI PRU MF, TATA MF, INVESCO MF, SUNDARAM MF, ABSL MF, EDELWEISS MF, UTI MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 12.97% & 18.21% respectively as on Mar'23.
- ❖ For the year ending Mar'23, Orient Electric Ltd. has declared an equity dividend of 150.00% i.e. Rs.1.50 per equity share. The Company has a good dividend track report and has consistently declared dividends for the last 5 years.

Disclosure

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