

### Covid impact seen on numbers

- Q1 numbers saw covid related impact, though numbers have improved YoY due to the low base of past period. EBIDTAM margins came in at 5.3% compared to 12-13.5% range in the preceding three quarters due to adverse operating leverage and rising input costs. WC went up with channel hesitancy to stock up amid uncertainty, though expected to improve Q2 onwards.
- Company has prioritized on B2C expansion with focus on entry-level fans and consumer luminaires. It has increased attention on products that are rural-focused and entry-level models in line with ensuing demand growth from semi-urban and rural market.
- We believe in the branding efforts of Orient to drive growth and maintain Accumulate rating with a TP of Rs360, valuing it at 52x Sep22E.

### Q1 impacted by covid

Q1 saw sales, coming in higher by 136% due to the base effect of a weak quarter in Q121, while EBIDTA and PAT came in at Rs223m and Rs50mn respectively, as compared to EBIDTA level losses in Q121. EBIDTA margins came in at 5.3% compared to double digit margins in the range of 12-13.5% in the preceding three quarters due to adverse operating leverage. ECD revenues came in higher by 3.1x YoY at Rs3.2bn and lighting came in higher by 1.3x YoY at Rs0.98bn. EBIT margins in ECD came in at 7%, while lighting and switchgear margins came in at 10.5%, as erosion in LED pricing has halted.

### Cost challenges remain; WC to improve hereon

Company has also effected 15-20% price increase across products. However, cost increases of input items pose a challenge for pricing and margins, though cost cutting measures helped margins by 50bps in the quarter. Net cash position in Q1 was Rs0.6bn lower as compared to Q4FY21 which was at Rs2.4bn, as WC went up to 42 days vs 11 days in end-FY21, with channel hesitancy to stock up amid uncertainty resulting in higher inventory for OEL. However, OEL expects the WC situation to improve from hereon, as business starts getting normalised Q2 onwards.

### Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Revenue	4,223	1,788	136.2	8,017	(47.3)
Total Expense	4,000	1,980	102.0	7,049	(43.3)
EBITDA	223	(193)	(216.0)	968	(76.9)
Depreciation	116	107	9.0	109	6.2
EBIT	107	(299)	(135.9)	859	(87.5)
Other Income	9	9	4.7	40	(77.4)
Interest	48	63	(23.4)	54	(10.8)
EBT	68	(353)	(119.3)	845	(91.9)
Tax	18	(80)	(122.4)	218	(91.7)
RPAT	50	(273)	(118.4)	627	(92.0)
APAT	50	(273)	(118.4)	627	(92.0)
			(bps)		(bps)
Gross Margin (%)	27.3	28.7	(132)	28.0	(62)
EBITDA Margin (%)	5.3	(10.8)	1605	12.1	(679)
NPM (%)	1.2	(15.3)	1645	7.8	(663)
Tax Rate (%)	26.4	22.7	370	25.8	61
EBIT Margin (%)	2.5	(16.7)	1926	10.7	(817)

CMP	Rs 325
Target / Upside	Rs 360 / 11%
NIFTY	15,779
<b>Scrip Details</b>	
Equity / FV	Rs 212mn / Rs 1
Market Cap	Rs 69bn
	USD 928mn
52-week High/Low	Rs 368/ 173
Avg. Volume (no)	665,711
Bloom Code	ORIENTEL IN
<b>Price Performance</b>	
	1M 3M 12M
Absolute (%)	4 21 85
Rel to NIFTY (%)	3 12 45

### Shareholding Pattern

	Dec'20	Mar'21	Jun'21
Promoters	38.5	38.5	38.5
MF/Banks/FIs	23.0	22.6	22.4
FII	7.5	9.2	8.8
Public / Others	31.0	29.7	30.4

### Valuation (x)

	FY21A	FY22E	FY23E
P/E	57.6	63.4	44.4
EV/EBITDA	30.3	33.5	24.5
ROE (%)	29.4	24.0	31.4
RoACE (%)	30.4	23.0	27.4

### Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	20,326	21,904	24,380
EBITDA	2,195	2,063	2,789
PAT	1,197	1,087	1,552
EPS (Rs.)	5.6	5.1	7.3

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### Thrust on rural and alternate channels

Growth was across channels including large format stores and e-commerce which grew 2.2x YoY in Q1, especially under home appliances category. The company has stated in its annual report, on the emphasis on rural-focused and entry-level models. It has increased attention on products that are rural-focused and entry-level models in line with ensuing demand growth from semi-urban and rural market. It is also doing a capex of Rs1.6-1.7bn at Hyderabad.

### Maintain Accumulate with TP of Rs360

We continue to believe in the growing ECD and lighting business of OEL, boosted by better collections, shift to branded products and better WC management. We recommend buying the stock at a reasonable valuation and maintain Accumulate with a TP of Rs360 at 57x Sep22E.

#### Exhibit 1: Actual V/s DART estimates

Particulars (Rs mn)	Actual	DART	Consensus	DART	Consensus	Comments
	Q1FY22	Q1FY22	Q1FY22	Var (%)	Var (%)	
Sales	4,223	2,945	3,590	43.4	17.6	Sales better than estimates
EBITDA	223	140	192	60.0	16.3	...leading to better margins
EBITDA margins	5.3	4.7	5.3	54.9	-6.1	
PAT	50	11	34	337.9	47.4	..and a beat on PAT
Pat margins	1.2	0.4	0.9	79.8	23.9	
EPS	0.2	0.1	0	337.9	337.9	

Source: Company, DART

#### Exhibit 2: Change in estimates

Particulars (Rs Mn)	FY22E			FY23E		
	Earlier	New	Change	Earlier	New	Change
Sales	21,602	21,904	1.4	24,047	24,380	1.4
EBITDA	2,010	2,063	2.6	2,724	2,789	2.4
EBITDA margins	9.3	9.4	11.1	11.3	11.4	11.2
PAT	1,048	1,087	3.8	1,504	1,552	3.2
EPS (Rs)	4.9	5.1	3.8	7.1	7.3	3.2

Source: Company, DART

**Exhibit 3: Quarterly Performance**

Particulars (Rs mn)	Q1FY22	Q1FY21	YoY(%)	Q4FY21	QoQ(%)
<b>Net Revenue</b>	<b>4,223</b>	<b>1,788</b>	<b>136.2</b>	<b>8,017</b>	<b>(47.3)</b>
Cost of material consumed	2,180	156	1,300.4	3,161	(31.0)
Purchase of stock in trade	1,698	570	198.1	2,868	(40.8)
Changes of inventories	(810)	550	(247.2)	(254)	218.8
<b>Total Raw Material Cost</b>	<b>3,069</b>	<b>1,275</b>	<b>140.6</b>	<b>5,775</b>	<b>(46.9)</b>
Staff Expenditure	467	426	9.6	477	(2.2)
Other Expenses	465	279	66.6	796	(41.7)
<b>EBITDA</b>	<b>223</b>	<b>(193)</b>	<b>(216.0)</b>	<b>968</b>	<b>(76.9)</b>
Depreciation	116	107	9.0	109	6.2
<b>EBIT</b>	<b>107</b>	<b>(299)</b>	<b>(135.9)</b>	<b>859</b>	<b>(87.5)</b>
Other Income	9	9	4.7	40	(77.4)
Interest	48	63	(23.4)	54	(10.8)
<b>PBT</b>	<b>68</b>	<b>(353)</b>	<b>(119.3)</b>	<b>845</b>	<b>(91.9)</b>
Tax	18	(80)	(122.4)	218	(91.7)
Share of profits from JVs	0	0		0	
<b>Net Profit</b>	<b>50</b>	<b>(273)</b>	<b>(118.4)</b>	<b>627</b>	<b>(92.0)</b>
Reported EPS	0.2	(1.3)		3.0	

Source: Company, DART

**Exhibit 4: Operating Cost as a % of Sales**

Particulars	Q1FY22	Q1FY21	YoY(bps)	Q4FY21	QoQ(%)
Raw Material Cost	72.7	71.3	132	72.0	62
Staff Cost	11.1	23.8	-1277	6.0	510
Other Expenses	11.0	15.6	-460	9.9	107

Source: Company, DART

**Exhibit 5: Margins (%)**

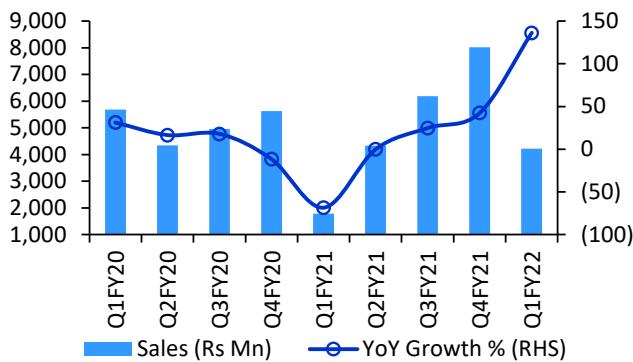
Particulars	Q1FY22	Q1FY21	YoY(bps)	Q4FY21	QoQ(%)
EBITDA	5.3	(10.8)	1,605	12.1	(679)
EBIT	2.5	(16.7)	1,926	10.7	(817)
PBT	1.6	(19.8)	2,137	10.5	(892)
NPM	1.2	(15.3)	1,645	7.8	(663)

Source: Company, DART

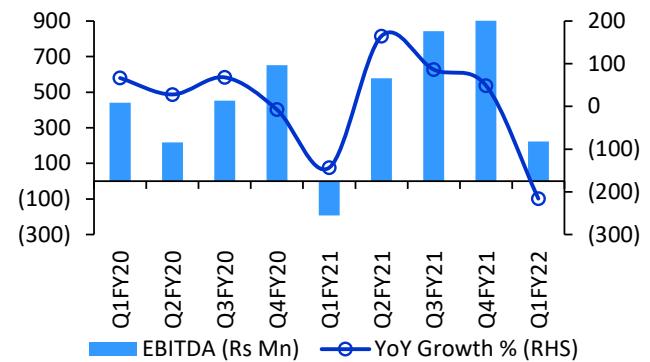
**Exhibit 6: Segment Performance**

Revenue	Q1FY22	Q1FY21	YoY(%)	Q4FY21	QoQ(%)
ECD	3,241	1,035	213.2	6,456	(49.8)
Lighting & Switchgear	982	753	30.5	1,561	(37.1)
Total	4,223	1,788	136.2	8,017	(47.3)
<b>EBIT</b>					
ECD	227	(71)	(420.1)	926	(75.5)
Lighting & Switchgear	103	48	113.9	225	(54.1)
Total	330	(23)	(1,566.2)	1151	(71.3)
Interest	46	60	(22.9)	52	(10.4)
Unallocable expenses	215	271		255	
Net EBIT	68	(353)	(119.3)	845	(91.9)
<b>EBIT margins</b>			<b>bps</b>		<b>bps</b>
ECD	7.0	(6.8)	1,383.4	14.3	(736)
Lighting & Switchgear	10.5	6.4	410.2	14.4	(390)

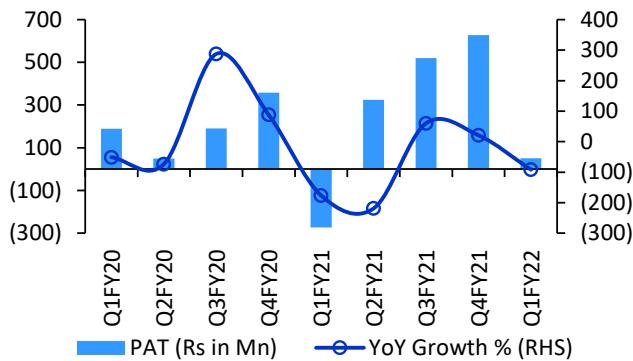
Source: Company, DART

**Exhibit 7: Sales (Rs Mn) & QoQ Growth (%)**


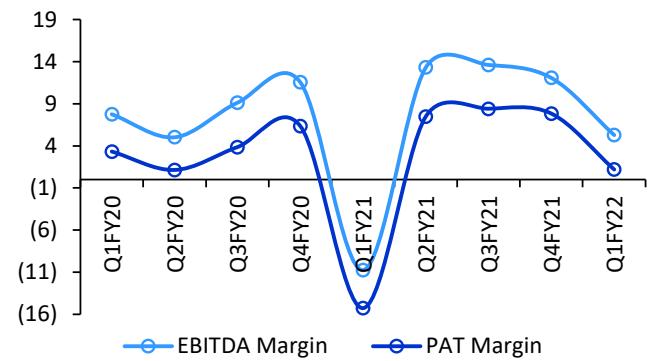
Source: Company, DART

**Exhibit 8: EBITDA & QoQ Growth (%)**


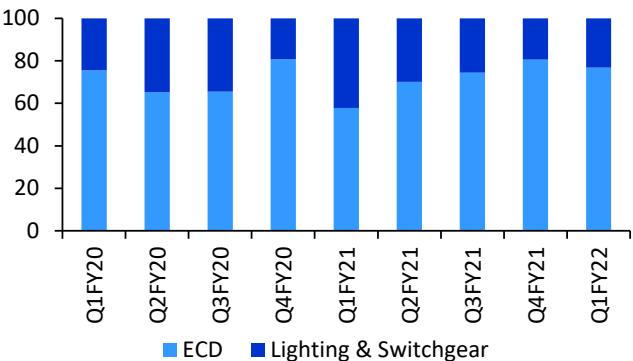
Source: Company, DART

**Exhibit 9: PAT & QoQ Growth (%)**


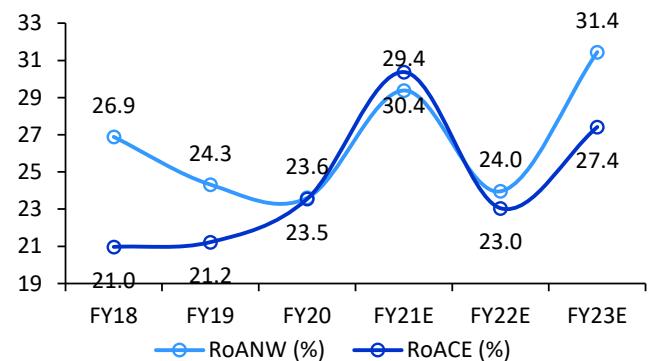
Source: Company, DART

**Exhibit 10: Margin Trends (%)**


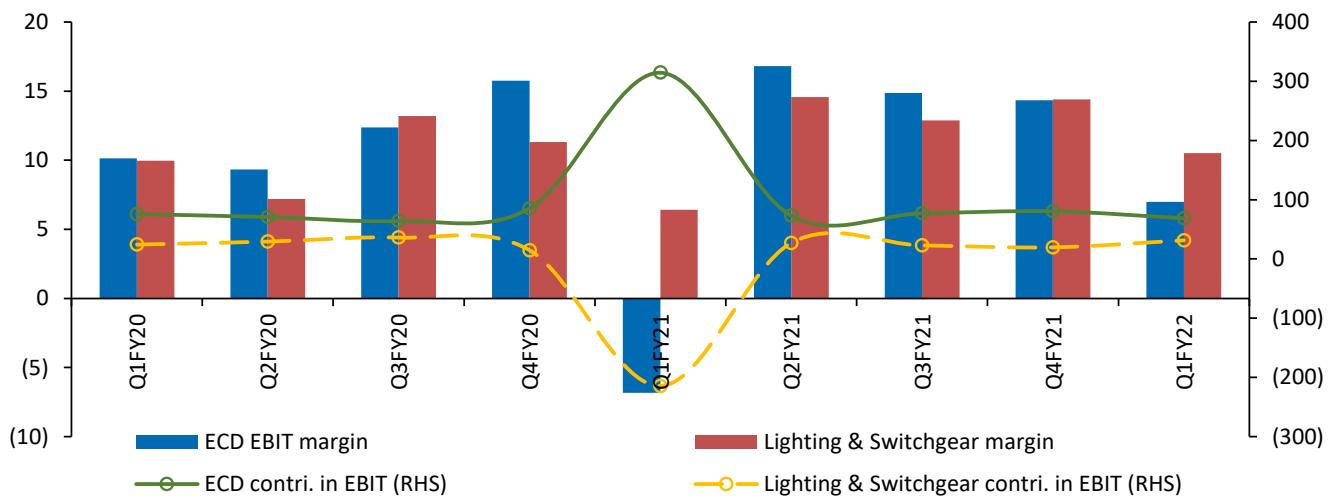
Source: Company, DART

**Exhibit 11: Quarterly revenue contribution (%)**


Source: Company, DART

**Exhibit 12: Return Ratio**


Source: Company, DART

**Exhibit 13: QoQ EBIT margins and contribution**


Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
<b>Revenue</b>	<b>20,618</b>	<b>20,326</b>	<b>21,904</b>	<b>24,380</b>
<b>Total Expense</b>	<b>18,854</b>	<b>18,131</b>	<b>19,842</b>	<b>21,591</b>
COGS	14,094	14,210	15,005	16,091
Employees Cost	1,985	1,792	2,081	2,316
Other expenses	2,776	2,130	2,756	3,184
<b>EBIDTA</b>	<b>1,764</b>	<b>2,195</b>	<b>2,063</b>	<b>2,789</b>
Depreciation	401	432	538	588
<b>EBIT</b>	<b>1,363</b>	<b>1,764</b>	<b>1,525</b>	<b>2,201</b>
Interest	261	207	159	224
Other Income	41	63	88	98
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>1,143</b>	<b>1,619</b>	<b>1,453</b>	<b>2,075</b>
Tax	357	422	366	522
RPAT	786	1,197	1,087	1,552
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>786</b>	<b>1,197</b>	<b>1,087</b>	<b>1,552</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	212	212	212	212
Minority Interest	0	0	0	0
Reserves & Surplus	3,382	4,344	4,305	5,144
<b>Net Worth</b>	<b>3,594</b>	<b>4,557</b>	<b>4,517</b>	<b>5,356</b>
Total Debt	947	153	1,594	1,493
Net Deferred Tax Liability	0	0	0	0
<b>Total Capital Employed</b>	<b>4,541</b>	<b>4,709</b>	<b>6,110</b>	<b>6,849</b>

**Applications of Funds**

Net Block	<b>1,969</b>	<b>1,946</b>	<b>2,408</b>	<b>2,220</b>
CWIP	35	26	0	0
Investments	0	0	0	0
<b>Current Assets, Loans &amp; Advances</b>	<b>7,601</b>	<b>9,652</b>	<b>9,539</b>	<b>10,687</b>
Inventories	2,865	2,492	3,109	3,201
Receivables	3,889	3,838	4,141	4,408
Cash and Bank Balances	75	2,575	1,497	2,242
Loans and Advances	0	0	0	0
Other Current Assets	773	747	792	836
<b>Less: Current Liabilities &amp; Provisions</b>	<b>5,064</b>	<b>6,914</b>	<b>5,836</b>	<b>6,059</b>
Payables	3,305	5,191	4,201	4,342
Other Current Liabilities	1,759	1,723	1,635	1,717
<i>sub total</i>				
Net Current Assets	2,538	2,737	3,702	4,629
<b>Total Assets</b>	<b>4,541</b>	<b>4,709</b>	<b>6,110</b>	<b>6,849</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21A	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	31.6	30.1	31.5	34.0
EBIDTA Margin	8.6	10.8	9.4	11.4
EBIT Margin	6.6	8.7	7.0	9.0
Tax rate	31.2	26.0	25.2	25.2
Net Profit Margin	3.8	5.9	5.0	6.4
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	68.4	69.9	68.5	66.0
Employee	9.6	8.8	9.5	9.5
Other	13.5	10.5	12.6	13.1
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.3	0.0	0.4	0.3
Interest Coverage	5.2	8.5	9.6	9.8
Inventory days	51	45	52	48
Debtors days	69	69	69	66
Average Cost of Debt	23.8	37.7	18.3	14.5
Payable days	59	93	70	65
Working Capital days	45	49	62	69
FA T/O	10.5	10.4	9.1	11.0
<b>(D) Measures of Investment</b>				
AEPS (Rs)	3.7	5.6	5.1	7.3
CEPS (Rs)	5.6	7.7	7.7	10.1
DPS (Rs)	1.1	2.0	2.2	2.2
Dividend Payout (%)	31.0	34.6	42.9	30.1
BVPS (Rs)	16.9	21.5	21.3	25.2
RoANW (%)	23.6	29.4	24.0	31.4
RoACE (%)	23.5	30.4	23.0	27.4
RoAIC (%)	32.0	53.4	45.2	47.7
<b>(E) Valuation Ratios</b>				
CMP (Rs)	325	325	325	325
P/E	87.7	57.6	63.4	44.4
Mcap (Rs Mn)	68,960	68,960	68,960	68,960
MCap/ Sales	3.3	3.4	3.1	2.8
EV	69,833	66,538	69,057	68,211
EV/Sales	3.4	3.3	3.2	2.8
EV/EBITDA	39.6	30.3	33.5	24.5
P/BV	19.2	15.1	15.3	12.9
Dividend Yield (%)	0.4	0.6	0.7	0.7
<b>(F) Growth Rate (%)</b>				
Revenue	10.6	(1.4)	7.8	11.3
EBITDA	24.9	24.4	(6.0)	35.2
EBIT	15.3	29.4	(13.5)	44.4
PBT	8.9	41.7	(10.3)	42.8
APAT	13.4	52.3	(9.2)	42.8
EPS	13.4	52.3	(9.2)	42.8

**Cash Flow**

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	1,813	4,402	(823)	2,032
CFI	(1,196)	(400)	(974)	(400)
CFF	(859)	(1,500)	719	(888)
FCFF	617	4,001	(1,797)	1,632
Opening Cash	316	75	2,575	1,497
Closing Cash	75	2,575	1,497	2,242

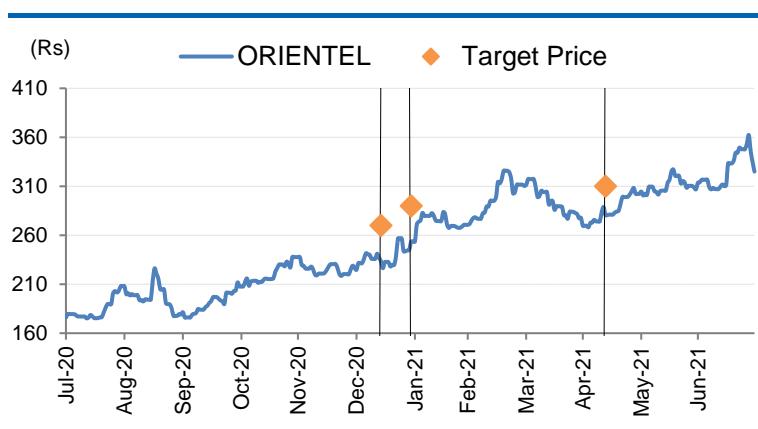
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jan-21	Accumulate	270	234
Jan-21	Accumulate	290	254
May-21	Accumulate	310	281

\*Price as on recommendation date

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