

Premiumization, DTM expansion and New launches are key growth drivers.

CMP: INR 206

Rating: ACCUMULATE

Target Price: INR 245

Stock Info

BSE	541301
NSE	ORIENTELEC
Bloomberg	ORIENTAL:IN
Reuters	ORIENTAL.BO
Sector	Consumer Durables
Face Value (INR)	1
Equity Capital (INR cr)	21
Mkt Cap (INR cr)	4,396
52w H/L (INR)	265 / 177
Avg Yearly Volume (in 000')	214.3

Shareholding Pattern %

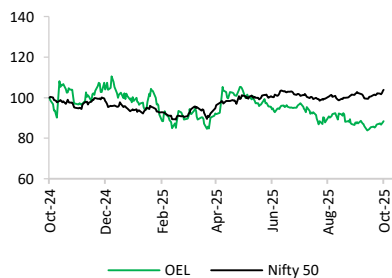
(As on Sep, 2025)

Promoters	38.30
DII	29.30
FII	6.34
Public & Others	26.08

Stock Performance (%)

	3m	6m	12m
OEL	-8.8	-3.9	-11.6
NIFTY	2.4	7.8	3.9

OEL Vs Nifty



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Orient Electric Ltd reported numbers, Q2FY26 revenue grew by 6.4% YoY (-8.6% QoQ) to INR 703cr; below our estimates of INR 771cr. Gross Profit stood at INR 222cr (+3.6% YoY/-11.6% QoQ); below our estimates of INR 251cr; Gross margins contracted by 85 bps YoY (down by 105 bps QoQ) to 31.5% vs 32.4% in Q2FY25. The raw material cost in terms of sales stood at 68.5% vs 67.6% in Q2FY25. EBITDA stood at INR 38cr (+6.4% YoY/-17.7% QoQ); below our estimates of INR 43cr. EBITDA margin flat at 5.4% in Q2FY26. Employee cost in terms of sales stood at 10.8% vs 11.8% in Q2FY25. Other expenses in terms of sales stood at 15.3% vs 15.2% in Q2FY25. PAT stood at INR 12cr (+15.5% YoY/-31.2% QoQ); below our estimates of INR 16cr, PAT margin improved by 13 bps YoY (down by 56 bps QoQ) to 1.7% vs 1.6% in Q2FY25.

Key Highlights

ECD remains stable, despite seasonal headwinds: Electric Consumer Durables (ECD) revenue stood at INR 441cr (+0.3 YoY/-19.1% QoQ); despite facing seasonal softness attributed to the early onset of monsoons and high rainfall. EBIT Stood at INR 36cr (-6.6% YoY/-1.7% QoQ). EBIT margin contracted by 61 bps YoY (up by 146 bps QoQ) to 8.2% vs 8.8% in Q2FY25. The Fans category continued to perform strongly, with the company gaining market share by ~60bps year-to-date. The decorative fans share increased 500bps, the shift towards premium largely driven by the feature-rich, IoT-enabled BLDC fans. BLDC fans witnessed 40% YoY in Q2FY26 and contributed ~30% of domestic ceiling fan sales. Water heaters delivered consistent growth, particularly through the E-commerce channel, supported by typical seasonal and geographic pricing strategies. Air Cooler declined by 80% YoY in Q2FY26 due to adverse weather conditions. The company employs a graded discounting approach for water heaters, leading to consumer uptake from Oct/Nov-25 onwards.

Strong growth led by Lightings and Wires: Lighting & Switchgears revenue stood at INR 262cr (+18.6% YoY/+16.8% QoQ); EBIT Stood at INR 34cr (+14% YoY/-12.3% QoQ). EBIT margin contracted by 53 bps YoY (down by 433 bps QoQ) to 13.1% vs 13.6% in Q2FY25. Premium SKUs contributed 65% of sales in consumer lighting, driven by an expanding portfolio of smart, decorative, and energy-efficient LED products. In lighting, the B2C and B2B mix stood at 75:25 in Q2FY26. The company is strategically focused on a balanced mix of B2C – 60% and B2B – 40% going forward. The company is focusing on strengthening its presence in stronger markets in the Northern and Eastern regions of India, with some presence in the South. The company is focused on leveraging the distribution channel, where 40% of fan dealers also stock wires.

DTM expansion and E-commerce remain on track: The company continues to shift from the Master Distributor model to DTM. The company shifted to DTM in the Pune market, covering 12 districts within 45-60 days. The company maintains a hybrid distribution model, with the revenue mix shifting toward 2/3rd from Master Distributors and 1/3rd from DTM. E-commerce witnessed a double-digit rate led by appliances such as irons. The company is also actively participating in Quick commerce platforms for essential products like fans, irons, and lighting. The company is deepening its engagement with key influencers through scaled-up programs like the electrician program.

Outlook & Valuation: Lighting & Switchgear business continued momentum, supported by premiumization strategy, ~65% of consumer lighting sales come from premium SKUs. The company is focused on a B2B mix in lighting, from 25% to 40% will unlock new business streams and improve business stability. The company is focused on achieving double-digit EBITDA margins within 6-8 quarters from Q4FY26E. BLDC fans are growing strongly, and a 3%-4% price increase is anticipated due to the BEE star rating. The Direct-to-Market model transition times have been reduced to 45-60 days, enhancing distribution quality and supporting the premiumization. The inventory increased due to the festive season and is expected to normalize within the next 2 quarters. The Expansion of the existing distribution models, direct dealer approach, new product launches, the ability to change the product mix, and consumer demand will drive growth going forward. At the CMP INR 206, we are maintaining an "ACCUMULATE" rating at a TP of INR 245 per share; valued at a PE multiple of 35x and its FY28E EPS of INR 7; an upside of 18.7%.

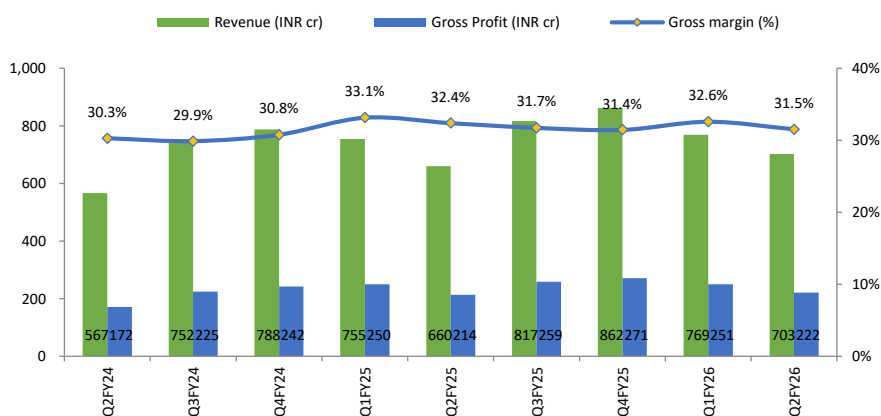
Q2FY26 Result update

Income statement summary

Y/e 31 Mar (INR cr)	Q2FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Revenue	660	769	703	6.4%	-8.6%
Net Raw Materials	446	519	481	7.8%	-7.2%
Gross Profit	214	251	222	3.6%	-11.6%
Gross Margins (%)	32.4%	32.6%	31.5%	-85 bps	-105 bps
Employee Cost	78	76	76	-2.8%	-0.7%
Other Expenses	100	128	108	7.6%	-15.9%
EBITDA	36	46	38	6.4%	-17.7%
EBITDA Margin (%)	5.4%	6.0%	5.4%	Flat	-59 bps
Depreciation	20	19	19		
Interest expense	6	5	5		
Other income	4.2	2.5	2.5		
Profit before tax	14	24	16		
Taxes	4	6	4		
PAT	10	18	12	15.5%	-31.2%
PAT Margin (%)	1.6%	2.3%	1.7%	+13 bps	-56 bps
EPS (INR)	0.5	0.8	0.6		

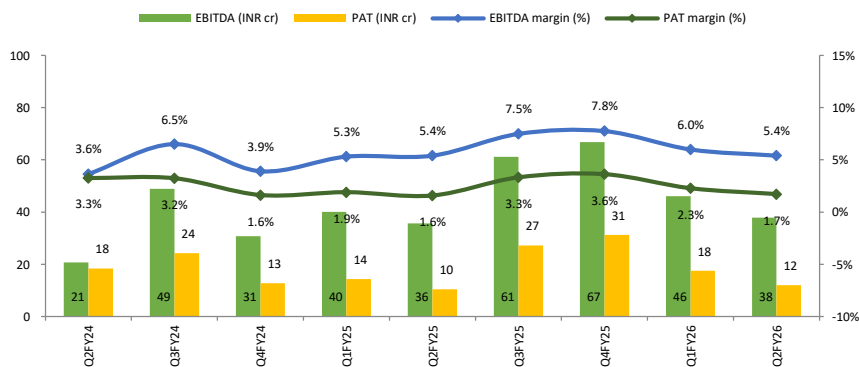
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Gross margins contracted by 85 bps YoY (down by 105 bps QoQ) to 31.5% in Q2FY26, due to increase in RM costs.



Source: Company Reports, Aриhant Capital Research

Exhibit 2: EBITDA margin flat at 5.4% in Q2FY26 led by lower employee and flat other expenses in terms of sales.

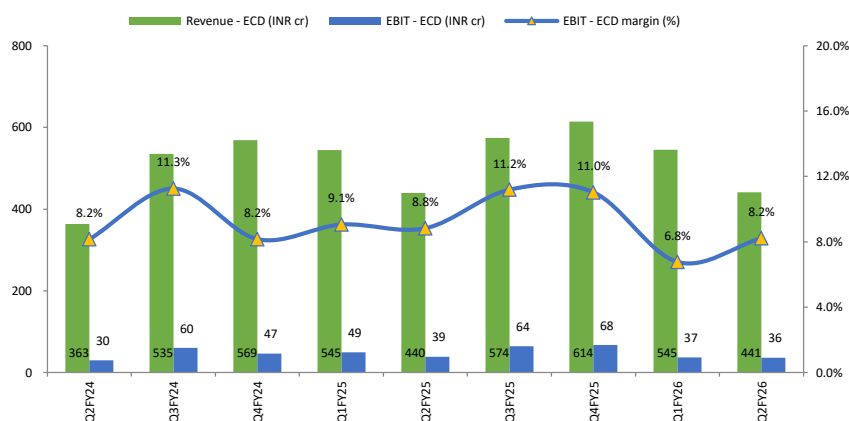


Source: Company Reports, Aриhant Capital Research

Electric and Consumer Durable (ECD) Segment

- Electric Consumer Durables (ECD) revenue stood at INR 441cr (+0.3 YoY/-19.1% QoQ); EBIT Stood at INR 36cr (-6.6% YoY/-1.7% QoQ). EBIT margin contracted by 61 bps YoY (up by 146 bps QoQ) to 8.2% vs 8.8% in Q2FY25.
- **Market Expansion:** Growth was driven by increased retail presence and strong digital channel momentum.
- **Innovation Leadership:** New Product Developments (NPDs) contributed significantly, making up over 34% of fan sales.
- **Premium Mix Shift:** Sales of premium BLDC fans surged 40% YoY, improving the premium category share by 500bps.
- **E-commerce Strength:** Online sales saw high double-digit growth.

Exhibit 3: Margins contracted by 61bps YoY (up by 146 bps QoQ) to 8.2% in Q2FY26 due to higher RM costs.

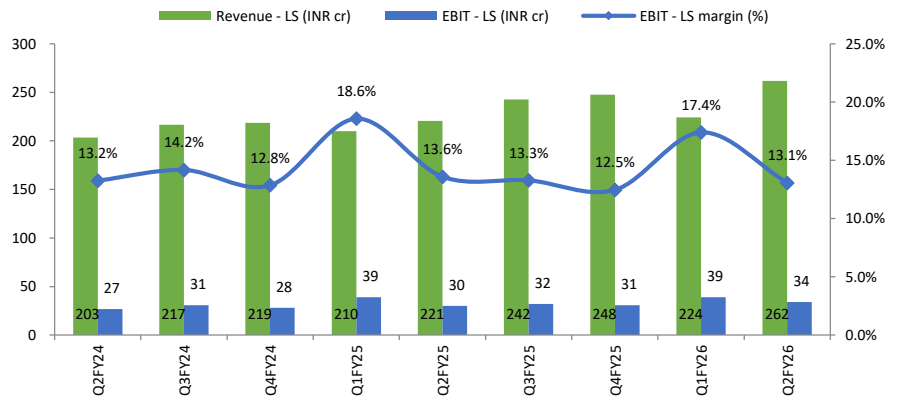


Source: Company Reports, Arihant Capital Research

Lighting & Switchgear segment (L&S) Segment

- Lighting & Switchgears revenue stood at INR 262cr (+18.6% YoY/+16.8% QoQ); EBIT Stood at INR 34cr (+14% YoY/-12.3% QoQ). EBIT margin contracted by 53 bps YoY (down by 433 bps QoQ) to 13.1% vs 13.6% in Q2FY25.
- **Consumer Lighting:** Achieved double-digit volume growth through New Product Development (NPD) and distribution expansion, with value-added categories contributing over 65% of sales.
- **Professional Luminaires:** Delivered double-digit growth, supported by successful execution of key Street Lighting and Façade projects.
- **Wires & Switches:** Wires revenue more than doubled, while Switches maintained strong double-digit momentum.
- **Market Engagement:** Growth was accelerated by rapid acceptance from trade partners and a focused electrician outreach program.

Exhibit 4: EBIT margin contracted by 53 bps YoY (down by 433 bps QoQ) to 13.1% in Q2FY26, led by pricing erosion in the lightings.



Source: Company Reports, Aриhant Capital Research

Q2FY26 Concall Highlights

Revenue

- H2FY26E is expected to be stronger and is expected to contribute 55% of revenue.

Margins

- Margins are expected to reach double-digit by 6-8 quarters from Q4FY26E.

Fans

- BLDC fans grew 40% YoY in Q2FY26, and revenue share stood at 30% of domestic ceiling fans.
- The share of premium and decorative fans increased by almost 500 bps, driven largely by the feature-rich, IoT-enabled BLDC fan range.
- The company gained 60 bps market share for fans.
- New product development contributes 1/3rd of fan sales.
- BEE star rating for ceiling fans, effective from Jan-26, is expected to accelerate the adoption of premium, energy-efficient fans.
- The company scaled up its electrician program and influencer engagement initiatives.

Lighting & Switchgears

- Lighting & Switchgears segment witnessed 18.6% YoY, reflecting the success of its premiumization strategy and ongoing distribution expansion.
- In consumer lighting, premium SKUs contributed about 65% of sales, supported by a growing portfolio of smart, decorative, and energy-efficient LED products.
- The company has consistently gained market share in consumer lighting for 7 consecutive quarters, adding nearly 70-80 bps.

Cost savings

- Spark Sanjay contributed cost savings of INR 240mn in H1FY26.

Q1FY26 Concall Highlights

B2B and B2C

- In B2B, professional lighting witnessed double-digit growth, supported by key projects in street lighting and facade lighting.
- The company maintains a strong project pipeline and applies a selective filter based on margins, volume, and payback period when choosing B2B projects.
- In lighting, the B2C and B2B mix stood at 75:25 in Q2FY26. The company is strategically focused on a balanced mix of B2C – 60% and B2B – 40%.

Wires

- The wire business doubled due to a smaller base. The company is gradually rolling out stronger markets in the North and East, leveraging the existing fan dealer network.

DTM

- DTM covering 12 districts in the Pune Market.
- DTM-led markets witnessed single-digit growth despite seasonal challenges. DTM Transition time reduced by 45-60 days.
- The company maintains a hybrid distribution model, with the revenue mix shifting toward 2/3rd from Master Distributors and 1/3rd from DTM.
- DTM supports market share gains, improves distribution quality, and aligns with the premiumization strategy.

Appliances

- In appliances, water heaters witnessed consistent growth through E-commerce. Air Coolers sales declined 80% YoY in Q2FY26, due to unfavorable weather.

E-commerce

- E-commerce channels witnessed high double-digit growth, led by products such as irons. The company is also leveraging Quick commerce platforms for essential items like fans, irons, and lighting.

Hyderabad facility

- Hyderabad facility has been commissioned, focusing on high-quality TPW (non-ceiling fans). The facility aims to improve services and reduce logistics costs. The facility focuses on increasing market share in South India.

Price hike

- BEE-related price increase estimated at around 3%-4%.
- The company has implemented a price hike of 1.5% in Q2FY26.

Working capital

- Working capital days increased from 19 days (Q2FY25) to 32 days in Q2FY26, due to inventory buildup in cooling products and lighting categories in preparation for an early Diwali. Working capital normalization is expected in the next 2 quarters.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	2,448	2,529	2,812	3,094	3,253	3,528	3,924
Net Raw Materials	1,767	1,824	1,957	2,100	2,220	2,401	2,666
Employee Cost	190	193	259	306	312	331	361
Other Expenses	260	361	452	484	501	536	592
EBITDA	231	151	144	204	220	260	305
EBITDA Margin (%)	9.4%	6.0%	5.1%	6.6%	6.8%	7.4%	7.8%
Depreciation	(47)	(54)	(59)	(79)	(89)	(100)	(110)
Interest expense	(20)	(22)	(23)	(24)	(18)	(11)	(10)
Other income	6	27	16	12	14	15	16
Profit before tax	170	102	96	112	127	164	201
Taxes	(43)	(26)	(21)	(29)	(33)	(42)	(52)
PAT	127	76	75	83	94	122	149
PAT Margin (%)	5.2%	3.0%	2.7%	2.7%	2.9%	3.4%	3.8%
Other Comprehensive income	0	1	1	1	-	-	-
Net profit	127	76	77	84	94	122	149
EPS (INR)	6.0	3.6	3.6	3.9	4.4	5.7	7.0

Source: Company Reports, Arianth Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	21	21	21	21	21	21	21
Reserves	520	563	618	673	736	816	916
Net worth	541	585	639	694	757	838	937
Provisions	53	50	51	58	18	19	21
Debt	101	139	157	86	74	64	62
Other non-current liabilities	13	11	9	5	16	18	20
Total Liabilities	709	784	855	844	865	939	1,040
Fixed assets	142	127	140	366	381	386	380
Capital Work In Progress	2	83	223	5	4	5	5
Other Intangible assets	23	22	17	13	13	13	13
Investments	10	15	18	17	20	21	24
Other non current assets	90	133	125	103	114	123	137
Net working capital	291	238	227	267	281	301	346
Inventories	326	285	315	430	401	428	475
Sundry debtors	416	372	472	518	508	541	602
Other current assets	28	63	36	29	27	29	32
Sundry creditors	(449)	(453)	(544)	(600)	(590)	(627)	(684)
Other current liabilities & Prov	(29)	(28)	(52)	(111)	(65)	(71)	(78)
Cash	151	164	66	55	51	89	133
Other Financial Assets	0	2	40	19	1	1	1
Total Assets	709	784	855	844	865	939	1,040

Source: Company Reports, Arianth Capital Research

Du-Pont Analysis

Y/e 31 Mar (INR cr)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Tax burden (x)	0.7	0.7	0.8	0.7	0.7	0.7	0.7
Interest burden (x)	0.9	1.0	1.1	0.9	1.0	1.0	1.0
EBIT margin (x)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Asset turnover (x)	2.1	2.1	2.2	2.1	2.2	2.3	2.3
Financial leverage (x)	2.3	2.1	2.1	2.2	2.1	1.9	1.9
RoE (%)	25.4%	13.3%	12.0%	12.0%	12.4%	14.6%	16.1%

Source: Company Reports, Arianth Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	170	102	96	112	127	164	201
Depreciation	47	54	59	79	89	100	110
Tax paid	(43)	(26)	(21)	(29)	(33)	(42)	(52)
Working capital Δ	(177)	53	11	(39)	(14)	(19)	(46)
Operating cashflow	(3)	182	145	123	169	202	214
Capital expenditure	(59)	(119)	(211)	(88)	(104)	(105)	(105)
Free cash flow	(61)	63	(66)	35	65	97	108
Equity raised	1	10	11	4	(0)	-	-
Investments	(0)	(5)	(3)	1	(3)	(2)	(2)
Others	(14)	(43)	(25)	47	8	(10)	(14)
Debt financing/disposal	6	38	18	(70)	(12)	(10)	(2)
Dividends paid	(42)	(42)	(32)	(32)	(32)	(41)	(50)
Other items	4	(6)	(1)	3	(29)	3	4
Net Δ in cash	(107)	14	(98)	(12)	(3)	38	44
Opening Cash Flow	258	151	164	66	55	51	89
Closing Cash Flow	151	164	66	55	51	89	133

Source: Company Reports, Aриhant Capital Research

Ratio analysis

Y/e 31 Mar (INR cr)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)							
Revenue growth	20.5%	3.3%	11.2%	10.0%	5.1%	8.5%	11.2%
Op profit growth	5.4%	-34.7%	-4.4%	41.1%	8.2%	18.1%	17.3%
Profitability ratios (%)							
OPM	9.4%	6.0%	5.1%	6.6%	6.8%	7.4%	7.8%
Net profit margin	5.2%	3.0%	2.7%	2.7%	2.9%	3.4%	3.8%
RoCE	21.8%	12.6%	9.7%	12.0%	12.7%	14.7%	16.1%
RoNW	25.4%	13.5%	12.3%	12.5%	13.0%	15.3%	16.8%
RoA	17.9%	9.7%	8.8%	9.9%	10.9%	13.0%	14.3%
Per share ratios (INR)							
EPS	6.0	3.6	3.6	3.9	4.4	5.7	7.0
Dividend per share	2.0	2.0	1.5	1.5	1.5	1.9	2.3
Cash EPS	8.2	6.1	6.3	7.6	8.6	10.4	12.2
Book value per share	25.5	27.5	29.9	32.5	35.5	39.3	43.9
Valuation ratios (x)							
P/E	34.5	57.4	57.4	52.5	46.7	36.1	29.5
P/CEPS	25.2	33.9	32.7	27.1	24.0	19.8	16.9
P/B	8.1	7.5	6.9	6.3	5.8	5.2	4.7
EV/EBITDA	18.6	28.8	31.0	21.7	20.0	16.7	14.1
Payout (%)							
Dividend payout	33.5%	56.0%	42.5%	38.5%	33.5%	33.5%	33.5%
Tax payout	25.4%	25.6%	21.8%	25.9%	25.9%	25.8%	25.8%
Liquidity ratios							
Debtor days	60	57	55	58	58	54	53
Inventory days	59	61	56	65	68	63	62
Creditor days	80	69	68	72	72	68	66
WC Days	39	49	43	51	54	49	49
Leverage ratios (x)							
Interest coverage	9.1	4.4	3.7	5.1	7.4	14.4	19.2
Net debt / equity	-0.1	-0.0	0.1	0.0	0.0	-0.0	-0.1
Net debt / op. profit	-0.2	-0.2	0.6	0.2	0.1	-0.1	-0.2

Source: Company Reports, Aриhant Capital Research

Story in Charts

Exhibit 7: Revenue growth is expected to grow at CAGR of 8.2% over the period of FY25-28E.

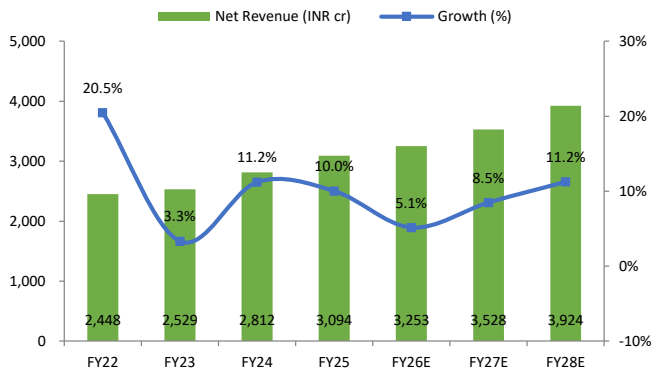


Exhibit 8: Gross Margins are expected to improve gradually due to raw material cost optimization, better realization and product mix.

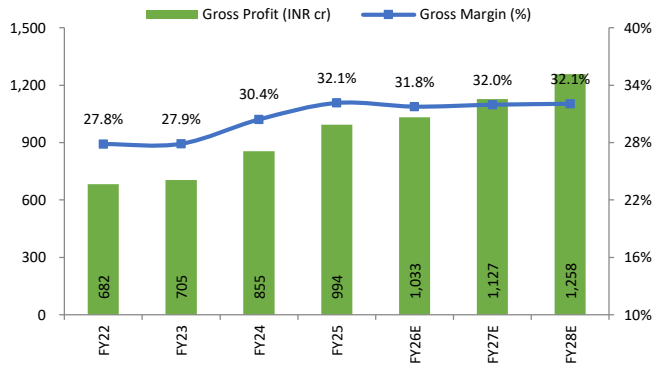


Exhibit 9: Rationalization of other expenses and cost savings will improve the EBITDA margin going forward.

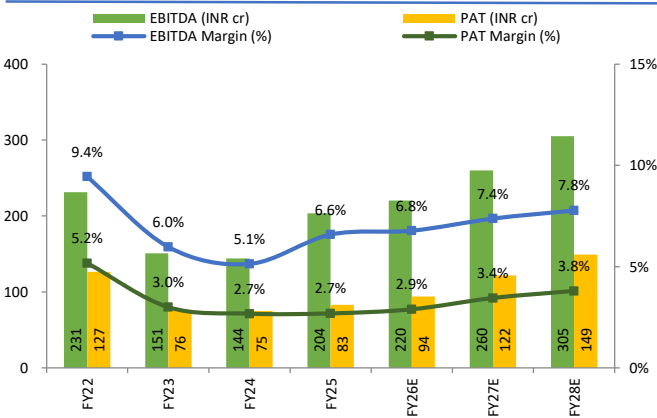


Exhibit 10: Return ratios is expected to improve.

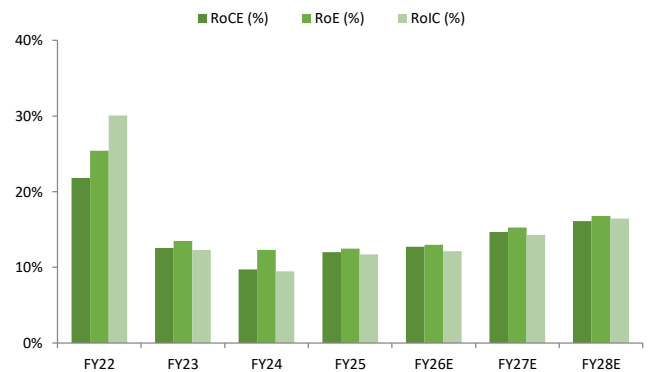


Exhibit 11: Working capital days to be improve

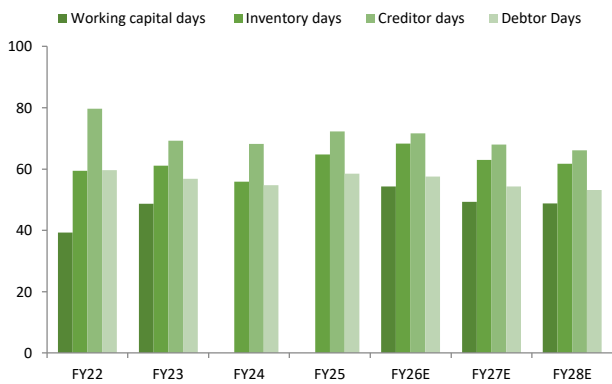
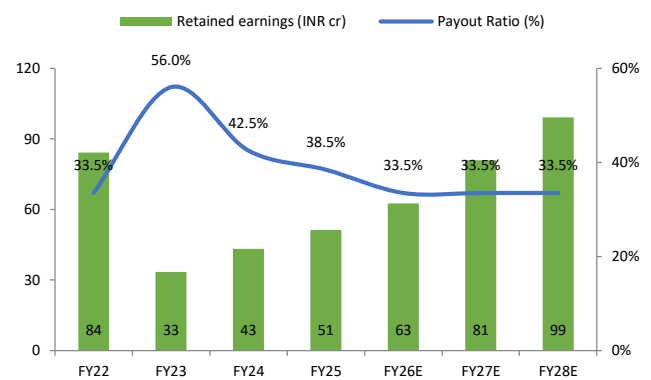


Exhibit 12: Dividend pay-out to be continue



Source: Company Reports, Arianth Capital Research

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Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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