Consumer Durables

Summarising takeaways from JM Financial India Xchange 2025

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We hosted several companies across the consumer durables space at our flagship investor conference – "JM Financial India Xchange 2025." These included Blue Star, Havells, LG Electronics, PG Electroplast, Polycab, KEI Industries and R R Kabel. Below, we summarise key takeaways from the meetings we attended.

- **Blue Star – placed better than the industry at large:** Blue Star is targeting 15% market share amid intensifying competition, while seeing a smooth transition to new BEE norms supported by the GST cut. Channel inventory remains slightly higher at ~65 days, vs. normalised levels of ~35 days, pegging it better than the broader industry. It also indicated that 2H should be better than 1H. However, it is not very certain if it will make up for the shortfall of 1H. Best-case scenario is industry and Blue Star seeing a flat FY26E (vs. earlier guidance of +5%), while the worst-case scenario is of 15% YoY contraction in the industry. Further, the management indicated that self-sufficiency in compressor manufacturing is 3-5 years away, and here, the ability to match China's costing will be a key determinant.

- **Havells – optimistic of the upcoming season:** Havells reiterated its intent to enter the summer season well stocked for Lloyd and maintained an optimistic stance despite caution over working capital. Lloyd RAC inventory remains elevated across brand and channel, though conditions have improved since Jun'25 and Sep'25, with restocking expected from Dec'25. In the C&W business, it foresees strong cables of ~20% growth and sustained double-digit growth in wires over the next 2 years.

- **LG Electronics – massive plans ahead:** LG highlighted its leadership in offline RAC value market share; its share is higher than Voltas by 1.1%, with annual RAC sales of 1.9mn units and in-house compressor capacity of 1mn units. The company has launched its LG Essentials line to target the mass-premium segment by introducing mid-tier SKUs. It also reiterated its focus on exports, which should ramp up from 5–6% of revenue to double digits, supported by the LG HQ designating India as a global manufacturing base. LG has planned INR 50bn of capex over the coming years, initially toward ACs and compressors and subsequently toward washing machines and refrigerators, with asset turns of 2–2.5x.

- **PG Electroplast – improving trends:** PGEL indicated improving demand trends with a resilient Oct'25 and strong orders through Nov'25 and Dec'25, supporting a strong 2H. Raw material inventory is expected to normalise to ~1 month by November-end. Production under old rating norms will cease by 15th Dec'25, post which the focus will shift to newer rated products. The company targets refrigerator production by 4QFY27, while washing machines continue to scale with ~40% growth in 1H and expectation of 30-35% growth in FY27E. FY26 margins may compress 100-120bps YoY with a 2H recovery. Lastly, there is no new update in the compressor JV; the building is ready and production could start within 9 months of approvals.

- **Polycab – strong growth to continue:** Polycab's C&W business saw strong growth driven by continuing demand momentum from both government and private sectors, further aided by rising copper prices For C&W, a margin profile similar to 1H is expected in 2H as well. While A&P spends will see an uptick, operating leverage benefits (2H generally better than 1H) should help. Further, it also highlighted a massive opportunity in data centres, with 1MW of data centre capacities requiring cables to the tune of INR 35mn; 50% of this is power cables and the rest is optical fibre cables, and Polycab possesses capacities for both.

- **KEI Industries – capacity expansion now on track:** INR 20bn capex at Sanand will help drive revenue of INR 60bn. Out of that, by Dec'25 (around 7th December), ~INR 30bn of revenue capacities will go live, and 4Q will see a full impact. In FY27, the company expects the new Sanand facility to drive revenue of INR 25bn. Generally asset turns are 4x; however, given EHV will be included here, asset turns will be limited to 3x. Within EHV, KEI will be manufacturing 400KV cables as well, peers will be restricted to 220KV. This should help drive the guided ~20% growth in revenue over the medium term, with a minor improvement in margin from current levels, driven by operating leverage benefits and an improved product mix.

- **RR Kabel – confident of achieving guidance:** RR Kabel plans INR 12bn of capex over FY26–28, largely toward cables, supporting a shift toward higher MV/HV mix and enabling ~18% volume growth over 3 years, including FY26E (vs. 12% in 1H) with stronger 3Q/4Q aiding full-year guidance. W&C EBIT margins are expected to improve from 7.5% to 10% over 3 years (8.5% guided for FY26), driven by operating leverage and a richer product mix. Current capacity utilisation stands at ~70% in wires and ~90% in cables.

Exhibit 1. India Consumer Durables - Peer Valuations

Company	EPS CAGR (FY25-28E)	Avg RoE (FY25-28E)	PE Ratio		
			FY26E	FY27E	FY28E
Polycab	19.0%	22.9%	44.5	38.0	33.2
KEI Industries	21.9%	14.4%	46.7	37.9	30.9
RR Kabel	25.4%	17.7%	38.6	30.8	24.8
Havells	17.3%	19.6%	57.4	44.6	37.6
Blue Star	19.5%	20.0%	61.1	44.9	36.2
PG Electroplast	28.6%	13.5%	62.2	37.4	27.3

Source: Company, JM Financial

Blue Star

- **Market share target:** Targeting 15% market share. Competition is extremely aggressive. Buying market share at the cost of profitability has not been a well-accepted strategy historically. LG too has been talking about affordable products.
- **Betting big on 2H:** 2H should be better than 1H. However, it is not very certain if it will make up for the shortfall of 1H. Best-case scenario is industry and Blue Star seeing a flat FY26E (vs. earlier guidance of +5%), while the worst-case scenario is of 15% YoY contraction in industry.
- **BEE norms:** No need to defer the new BEE norms. All brands and manufacturers are well set to transition into the new norms. Also, with the GST cut, the increase in prices pursuant to the new norms will be neutralised.
- **Inventory:** Current channel inventory at 65 days, 30-35 days higher than normal levels.
- **Domestic sourcing of compressors:** There is not enough capacity and technology available in India for compressors. Complete self-sufficiency is 3-5 years away. Need certainty over commercial viability for the manufacturing of compressors. Further, technology in compressors changes frequently, with energy rating change. Blue Star sources majorly from GMCC, given past relationships. However, GMCC India is yet unable to compete with GMCC China in terms of costing
- **Projects business:** Within projects, want to focus on factories and data centres rather than infrastructure projects. The former is a 1.5-2-year project, while the latter is a 3-3.5-year project. Currently Blue Star does MEP work for data centres, which is ~30% of the data centre capex. Blue Star has a developed product too, but is yet to start sales. Product is generally 15% of the data centre capex.

Havells

- **Strategy for the upcoming summer:** With respect to Lloyd, reiterated that it won't go into the summer under-stocked and will choose to remain optimistic about the upcoming summer season, while companies may remain cautious due to working capital issue.
- **Inventory levels:** For Lloyd RACs, inventory is high for brand and the channel. Waiting for December restocking to start. Situation was bad in June and during 2Q but now it has improved.
- **Margin:** Expected Havells-ex Lloyd EBITDA margin is around 12-14%.
- **Cables growth:** Growth in cables expected to be around ~20%, and double-digit growth in wires. Cables growth is sustainable over the next 2 years.

LG Electronics

- **AC market share:** LG is the number 1 RAC company in terms of offline value market share, higher Voltas by 1.1%. LG sells 1.9mn RAC units annually and has a production capacity of 1mn compressors. It sources the rest from external sources.
- **Affordable range:** LG Essentials product line launched. This segment will target the mass premium market, primarily the upper layer of the mass market. Aim is to introduce SKUs that fall in the middle and create its own segment.
- **Exports:** Exports are 5-6% of revenue with the target being double digits. LG HQ has categorised LG India as a global manufacturer. Therefore, LG India is expected to manufacture products to be sold in other countries.

- **Royalty:** Royalty is 2.4% for TVs and 2.3% for other products. This is not expected to change for the foreseeable future.
- **Capex:** Capex of INR 50bn planned over the next few years. First phase will be for ACs and compressors, and next for washing machines, refrigerators. Asset turns here are 2-2.5x

PG Electroplast

- **2H commentary:** October has been decent from the point of view of an off-season month and November and December are looking good. Order booking is picking up. Expect a strong 2H to be driven by a strong 3Q and strong 4Q, and not be dependent entirely on 4Q. Some brands with which PG works have increased their ordering.
- **Inventory levels:** Expect raw material inventory to normalise to ~1 month of sales by November-end. Currently, only a few select players are facing some inventory issue; other than that, the overall industry is better positioned
- **New BEE products:** Internally, will stop manufacturing old rating norm products by 15th December. For certain models, increase in the cost of the BoM is ~15%. These include 5 star inverter ACs and 3 star fixed speed ACs. Essentially, changes are in the copper content, motors, and compressors.
- **Margins:** FY26 margins can drop 100-120bps YoY. Through 1H, margins dipped 200bps; expect a recovery in 2H, In FY26E, industry should see a decline of ~10%.
- **Washing machines and refrigerators:** By 4QFY27, will commence manufacturing of refrigerators. Washing machines also seeing good growth. Washing machines has grown ~40% in 1H. Expect 30-35% growth in FY27 as well.
- **Compressor JV:** No clarity on timelines for the compressor JV yet. However, technology partner remains very clear of continuing with PGEL only as the partner. Building for compressor assembly is already ready. Should be able to commence manufacturing within 9 months of receipt of approvals. Once approvals are received, will place orders for machinery.

Polycab

- **Key drivers of growth:** Polycab's C&W business saw strong growth driven by continuing demand momentum from both government and private sectors. Rising copper prices provided an additional boost during the latter part of the quarter. Sales across both distribution and institutional channels showed healthy traction. Overall C&W business saw high-teen volume growth.
- **Margin:** For C&W, similar margin profile expected in 2H as well, as was seen in 1H. While A&P spends will see an uptick, since 2H is generally better than 1H should help neutralise the impact of higher promotional activities.
- **FMEG:** The fans segment continued to see a slowdown and saw marginal degrowth due to the extended monsoon season and high channel inventory. Despite elevated channel inventory levels, no price cuts taken in fans of late. Rather, there has been an industry-wide price hike recently. Expect FMEG segment to see uptick from FY27E based on real estate growth witnessed in FY26E. Fans and solar inverters are Polycab's largest categories within FMEG.
- **Data centre opportunity:** Data centre opportunity is large. For 1MW of data centre, C&W to the tune of INR 35mn is required. 50% of this is power cables and the rest is optical fibre cables, and Polycab possesses capacities for both. Polycab has already received approvals from a few of the largest players. Additional, 6.3GW of capacity is expected to come in for data centres in the next 5 years and Polycab is well placed to grab this.

KEI Industries

- **Sanand capex:** INR 20bn capex at Sanand to help drive revenue of INR 60bn. Out of that, by Dec'25 (around 7th December), ~INR 30bn of revenue capacities will go live, and 4Q will see a full impact. In FY27, expect the new Sanand facility to drive revenue of INR 25bn. Generally asset turns are 4x; however, given EHV will be included here, asset turns will be limited to 3x. Within EHV, KEI will be manufacturing 400Kv cables as well, peers will be restricted to 220KV.
- **Domestic vs. exports business:** Export cables margin is 11% and domestic cables is 10.5%. Receivable cycle is nearly 2.5 months for both domestic and export businesses. However, there is a letter of credit involved in exports, which drives healthier cash flows. There is a very high entry barrier in domestic and export market due to regulatory approvals required, and it takes nearly 2.5 years to get approval in overseas markets.
- **Entry into HVDC cables:** Will manufacture HVDC cables in the Sanand facility as well. For this, testing machinery is relatively costlier. Currently, KEI is the largest manufacturer of HVDC cables.
- **EHV cables:** For EHV cables, Universal and KEI are the prominent players, with Polycab's EHV capacities underway. Overall Indian EHV market is INR 30bn, of which 50% is catered to through imports. Margin here is 15% due to low competition.

RR Kabel

- **Capex:** INR 12bn of capex announced over next 3 years (FY26-28), predominantly for Cables. Basis this, MV and HV cables expected to increase in share of total revenue. On the back of this capex, volume growth expected to be 18% over the next 3 years accompanied by margin expansion driven by a superior product mix. 1HFY26 volume growth was 12%. Full year guidance is 18%. This will be met with strong 3Q and 4Q as last year 3Q was weak as a volume decline was seen.
- **Margin:** C&W EBIT margin should reach 10% from 7.5% in 3 years (guidance for 8.5% in FY26E). Operating leverage and, again, an improved product mix will drive up margins.
- **Opportunities:** Utilities are the largest consumers of HV cables especially in Maharashtra, Gujarat, and UP. Incrementally, solar and data centres are big opportunities for cables. On the back of this, RR Kabel's focus is to target the larger MV and HV market rather than EHV.
- **Tariff situation:** Uncertainty does exist around tariffs. Current 50% tariffs is the same for all countries and, hence, exports to the US have stopped at the moment. The earlier plan was to ramp up US exports; hence, once trade deals are signed, there will be a sharp recovery.
- **Utilisation:** Current capacity utilisation stands at 70% in wires, and 90% in cables.

APPENDIX I

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Previous Rating System: Definition of ratings	
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