

Consumer Durables

Broad-based growth elusive as demand remains soft

2Q is a seasonally weak quarter for Consumer Durables sector, except for the category of Washing Machines. Based on our channel checks, we expect following key themes to play out in 2QFY24 (1) Overall demand is likely to remain soft as consumers restrict their spending, (2) Sharp rise in competitive intensity would exert pricing pressure, (3) Softer commodity costs will continue to improve gross margin, yet lack of scale and higher discretionary spends (ad-spend, travel, sales promotion) would limit EBITDA margin expansion and (4) growth in premium products will continue to outpace mass / economy variants. Among product categories (1) Cables and wires will likely sustain robust growth momentum led by infra/industrial demand and export markets, (2) Fans and kitchen appliances are likely to report low double digit value growth, (3) Lighting sales are likely to de-grow YoY amid weak demand and lower realizations from falling LED prices, (4) Washing Machines is likely to post a low double digit growth amid peak season, (5) RAC and Refrigerator is likely to see high single digit growth YoY. For Q2FY24, we expect our coverage universe to report 11% YoY growth in revenue at Rs197bn while EBITDA margin is likely to expand by 70bps YoY to 7.9%.

Consumer Durables preview

Sales of cooling products such as Air Conditioners and Refrigerators is expected to be in high single digit YoY. However, pricing pressure remains intense, especially in mass and economy segments as entry level brands aims to grab market share through aggressive pricing while premium brands have also forayed in mass category through tactical price reduction. Washing Machines is likely to grow in low double digit as 2Q is a seasonally strong quarter for this category. In Q2FY24, key outperformers in terms of revenue growth are likely to be VOLT (+17% YoY led by ramp up in projects segment) and BLSTR (+13% YoY led by continuation of strong execution of strong projects' order book). For the Consumer Durables coverage universe, we expect revenue growth of 12% YoY at Rs71.3bn. Operating margin for the universe is likely to expand by 60bps YoY to 5.2% with key outperformers being VOLT (+80bps YoY), BLSTR (+20bps YoY) and WHIRL (+20bps YoY). Coverage PAT likely to rise by 22% YoY to Rs2bn, mainly driven by the out-performance of BLSTR (+31% YoY).

Consumer Electricals preview

Volume growth for the largest product category of Cables & Wires has remained healthy from industrial, infrastructure and residential sectors while realizations will also be favorably aided by higher copper prices YoY (average price up 8% YoY in Q2FY24). Fans growth is likely to be in low double digit, as the industry partly recovered post the unseasonal rains in Q1FY24. Lighting category is likely to see a de-growth in sales on YoY basis (broadly flattish QoQ) as the industry suffers from low demand and falling LED prices. Growth in Kitchen Appliances segment likely to be in lower double digit. However, the industry is witnessing heightened competitive intensity as large FMEG/durable/retail players have forayed into kitchen appliances through inorganic route. The trend of growth in premium products outpacing mass/economy products is likely to continue. In Q2FY24, key outperformers in terms of revenue growth is likely to be POLYCAB (+17% YoY, led by healthy growth in wires and cables), Orient Electric (+12% YoY on a low base) and VGRD (+11% YoY). For the Consumer Electricals coverage universe, we expect revenue growth of 11% YoY at Rs126bn. Bottom-line is expected to grow by healthy 25% YoY to Rs7.8bn, largely driven by out-performance of key cable and wire brands such as Polycab India (+30% YoY), Havells (+41% YoY on a low base) and VGRD (+16% YoY).

Key things to watch for

(1) Management commentary about demand revival (outlook on when the consumer spending is expected to revive), (2) Any price review decision by brands, (3) Revised outlook on margin profile for FY24 considering high competitive intensity and (4) Future growth/capex plans.

Q2FY24 Earnings Preview

India I Consumer Durables

9 October 2023

NIFTY 50: 19,512

BSE Sensex: 65,512

Institutional Research

Stock price performance (%)*

Company Name	1 Mth	3 Mth	6 Mth	1 Yr
Bajaj Electricals	(0.7)	(3.5)	12.3	(2.2)
Crompton Consumer	(6.4)	2.2	(0.4)	(25.6)
Havells India	(4.5)	5.8	15.9	2.5
Orient Electric	(7.5)	(10.3)	(6.5)	(18.6)
Polycab India	(0.4)	45.4	77.4	98.8
V-Guard Industries	(10.5)	0.4	12.4	12.9
Blue Star	7.6	9.9	20.4	50.3
IFB Industries	(9.8)	11.6	5.3	(16.8)
JCHAC	(9.1)	8.5	17.2	(5.7)
Voltas	(5.8)	10.9	2.7	(6.3)
Whirlpool of India	(2.0)	11.9	24.0	0.0
Nifty 50	(1.6)	0.1	10.9	12.7

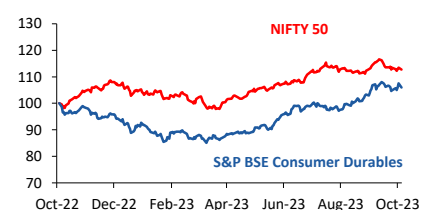
Source: Centrum Broking, *as on 9th October 2023

Rating and Target prices

Company Name	Rating	Price* (Rs)	TP (Rs)
Bajaj Electricals	ADD	1,060	1,240
Crompton Consumer	ADD	301	300
Havells India	REDUCE	1,399	1,130
Orient Electric	ADD	224	245
Polycab India	ADD	5,260	4,500
V-Guard Industries	ADD	287	310
Blue Star	ADD	873	780
IFB Industries	ADD	909	875
JCHAC	SELL	1,202	830
Voltas	REDUCE	885	795
Whirlpool	ADD	1,646	1,500

Source: Centrum Broking, *as on 09 October 2023

Nifty 50 vs S&P BSE Consumer Durables



Source: Bloomberg



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Consumer Durables

Exhibit 1: Q2FY24 Estimates – Consumer Electricals

Companies	Revenue (Rs Mn)			EBITDA (Rs Mn)			EBITDA margin (%)			PAT (Rs Mn)			EPS (Rs)		
	2QFY24E	YoY (%)	QoQ (%)	2QFY24E	YoY (%)	QoQ (%)	2QFY24E	YoY	QoQ	2QFY24E	YoY (%)	QoQ (%)	2QFY24E	YoY (%)	QoQ (%)
Bajaj Electricals*	11,920	2.9	7.2	791	NA	17.1	6.6	NA	50bps	472	NA	25.9	4.1	NA	25.9
Crompton Consumer	17,816	4.8	(5.1)	1,723	(10.8)	(7.2)	9.7	(170bps)	(20bps)	1,080	(14.1)	(8.7)	1.7	(14.1)	(8.7)
Havells India	40,450	10.2	(16.1)	3,846	34.0	(4.4)	9.5	170bps	120bps	2,630	40.7	(8.5)	4.2	40.7	(8.5)
Orient Electric	5,704	11.7	(19.2)	340	192.6	(22.8)	6.0	370bps	(20bps)	142	NA	(27.9)	0.7	NA	(27.9)
Polycab India	38,884	16.7	(0.0)	5,157	20.6	(6.0)	13.3	50bps	(80bps)	3,480	30.0	(12.8)	23.2	30.0	(12.8)
V-Guard Industries	10,875	10.8	(5.2)	889	25.0	0.7	8.2	100bps	50bps	500	16.0	(5.8)	1.2	16.0	(5.8)

Source: Companies, Centrum Broking. * BJE's EBITDA and PAT data is not comparable on YoY basis as it transitioned to reporting only Consumer business financials from Q1FY24.

Exhibit 2: Q2FY24 Estimates – Consumer Durables

Companies	Revenue (Rs Mn)			EBITDA (Rs Mn)			EBITDA margin (%)			PAT (Rs Mn)			EPS (Rs)		
	2QFY24E	YoY (%)	QoQ (%)	2QFY24E	YoY (%)	QoQ (%)	2QFY24E	YoY	QoQ	2QFY24E	YoY (%)	QoQ (%)	2QFY24E	YoY (%)	QoQ (%)
Blue Star	17,853	13.3	(19.8)	1,003	17.1	(30.9)	5.6	20bps	(90bps)	558	31.1	(33.1)	2.9	31.1	(33.1)
IFB Industries	11,900	6.4	9.6	662	(4.7)	90.4	5.6	(60bps)	240bps	226	(6.2)	NA	5.5	(6.2)	NA
JCHAC	3,467	12.5	(38.9)	(299)	(44.4)	(16.8)	(8.6)	NA	NA	(341)	(35.6)	(16.9)	-12.5	(35.6)	(16.9)
Voltas	20,616	16.6	(38.6)	1,342	33.1	(27.6)	6.5	80bps	100bps	983	(0.7)	(23.9)	3.0	(0.7)	(23.9)
Whirlpool of India	17,453	8.3	(14.4)	991	11.4	(19.7)	5.7	20bps	(40bps)	525	9.5	(29.9)	4.1	9.5	(29.9)

Source: Companies, Centrum Broking

Exhibit 3: Valuation Summary – Consumer Electricals

Company	CMP (Rs)	TP (Rs)	Rating	EPS			PE (x)			ROE (%)			ROCE (%)			ROIC (%)		
				FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Bajaj Electricals	1,060	1,240	ADD	18.7	22.2	31.7	56.6	47.8	33.4	11.6	12.4	15.9	13.2	13.8	17.3	15.1	17.0	24.5
Crompton Consumer	301	300	ADD	7.3	8.9	12.0	41.3	33.9	25.1	18.1	19.8	23.2	12.7	16.0	20.6	15.3	17.4	23.2
Havells India	1,399	1,130	REDUCE	17.2	22.1	26.8	81.6	63.3	52.2	17.1	19.8	21.4	16.9	20.2	21.7	24.3	26.5	30.7
Orient Electric	224	245	ADD	3.6	6.0	8.1	63.0	37.4	27.8	13.5	20.4	23.8	16.0	22.8	26.0	17.4	27.6	32.6
Polycab India	5,260	4,500	ADD	84.8	110.3	128.6	62.0	47.7	40.9	20.9	22.8	22.4	21.4	23.3	23.0	26.7	29.7	29.3
V-Guard Industries	287	310	ADD	4.4	6.6	8.8	65.6	43.8	32.5	12.5	16.5	19.4	11.6	15.0	18.1	11.6	14.8	18.3

Source: Companies, Centrum Broking

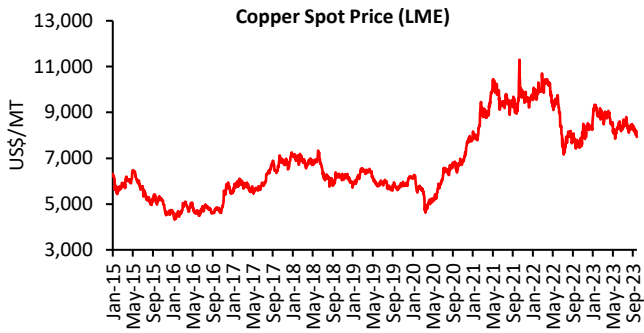
Exhibit 4: Valuation Summary – Consumer Durables

Company	CMP (Rs)	TP (Rs)	Rating	EPS			PE (x)			ROE (%)			ROCE (%)			ROIC (%)		
				FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Blue Star	873	780	ADD	13.6	20.4	26.4	64.4	42.8	33.0	22.2	26.4	27.9	17.5	21.3	22.8	21.7	24.7	26.0
IFB Industries	909	875	ADD	3.6	23.2	39.8	251.0	39.2	22.9	2.3	13.4	19.4	3.7	14.3	19.1	3.6	18.5	29.7
JCHAC	1,202	830	SELL	(30.2)	(7.8)	27.6	(39.8)	NA	43.6	(11.7)	(3.3)	11.1	(8.1)	(1.6)	10.6	(9.6)	(2.8)	10.4
Voltas	885	795	REDUCE	4.1	16.1	21.4	216.9	54.9	41.3	2.5	9.5	11.9	7.0	10.9	12.8	16.5	21.4	25.4
Whirlpool	1,646	1,500	ADD	17.3	25.7	37.5	95.3	64.1	43.9	6.4	8.9	12.1	6.6	9.2	12.2	7.2	12.2	19.0

Source: Companies, Centrum Broking

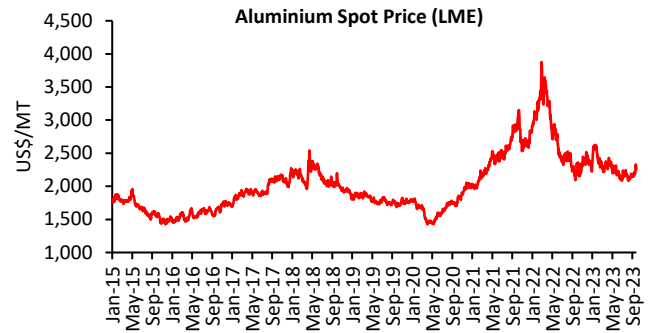
Key input costs trend

Exhibit 5: Copper LME price trend



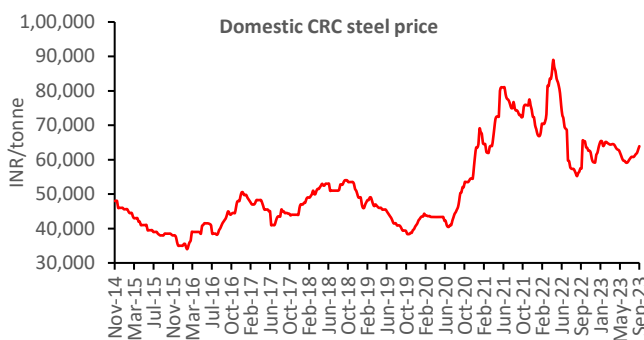
Source: Bloomberg, Centrum Broking

Exhibit 6: Aluminum LME price trend



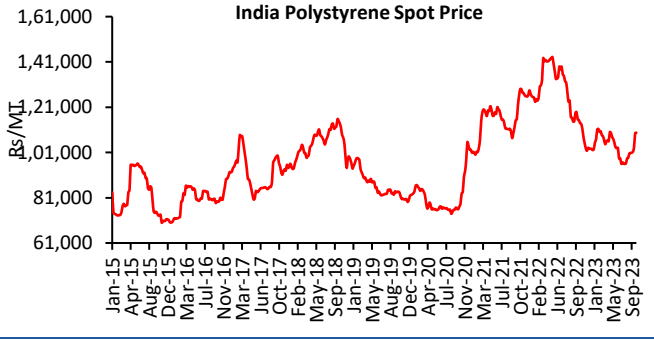
Source: Bloomberg, Centrum Broking

Exhibit 7: Domestic CRC steel price trend



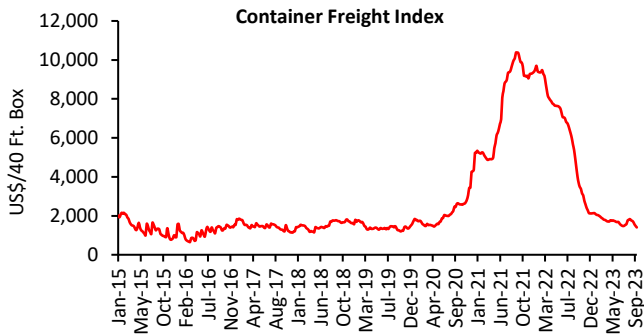
Source: Steelmint, Centrum Broking

Exhibit 8: Domestic polystyrene price trend



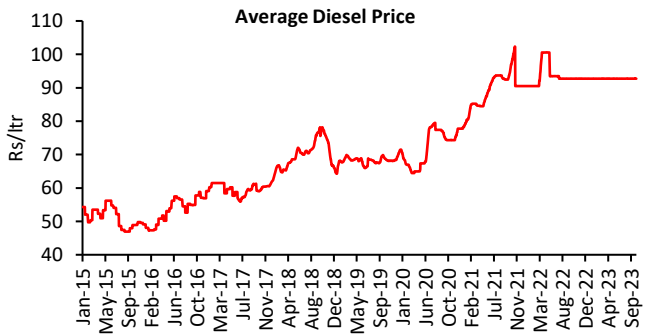
Source: Bloomberg, Centrum Broking

Exhibit 9: Container Freight Index



Source: Bloomberg, Centrum Broking

Exhibit 10: Domestic average diesel price trend



Source: Bloomberg, Centrum Broking

Quarterly financials trend - Consumer Electricals

Exhibit 11: Quarterly revenue growth trend

Quarterly Revenue Growth YoY (%)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24E
Bajaj Electricals*	40.3	6.8	(12.3)	5.8	32.4	(5.9)	13.0	(2.7)	(1.5)	2.9
Crompton Consumer	45.9	14.2	4.6	1.7	77.3	22.7	7.5	15.7	0.7	4.8
Havells India	75.7	31.4	15.4	32.6	62.8	13.9	12.8	9.8	14.0	10.2
Orient Electric	136.2	37.0	9.7	(6.0)	47.2	(14.1)	8.9	(12.7)	13.5	11.7
Polycab India	90.0	42.2	22.8	34.9	47.5	10.8	10.2	8.9	42.1	16.7
V-Guard Industries	38.2	46.4	16.1	23.7	80.1	8.7	1.8	2.8	13.7	10.8

Source: Centrum Broking, Company Data. * BJE data till Q4FY23 includes EPC business while from Q1FY24 onwards it has transitioned to financials of only consumer entity.

Exhibit 12: Quarterly EBITDA margin trend

Quarterly EBITDA Margin (%)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24E
Bajaj Electricals*	0.8	7.1	7.0	4.8	6.1	7.7	6.8	7.3	6.1	6.6
Crompton Consumer	11.9	15.5	14.3	14.5	11.8	11.4	10.1	11.8	9.9	9.7
Havells India	13.6	13.8	12.1	11.8	8.5	7.8	10.3	10.9	8.3	9.5
Orient Electric	5.3	10.4	9.8	10.7	6.1	2.3	7.4	7.0	6.2	6.0
Polycab India	7.2	9.7	10.7	12.0	11.4	12.8	13.6	14.1	14.1	13.3
V-Guard Industries	7.7	10.4	8.8	10.6	8.1	7.2	6.2	8.0	7.7	8.2

Source: Centrum Broking, Company Data. * BJE data till Q4FY23 includes EPC business while from Q1FY24 onwards it has transitioned to financials of only consumer entity.

Exhibit 13: Quarterly PAT growth trend

Quarterly PAT growth YoY (%)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24E
Bajaj Electricals*	(76.3)	14.8	(48.9)	(24.9)	NA	3.2	23.1	25.9	(10.4)	NA
Crompton Consumer	26.7	20.3	(2.0)	(26.3)	27.7	(20.8)	(42.5)	(27.5)	(2.2)	(14.1)
Havells India	269.9	(7.2)	(12.4)	16.8	3.5	(38.0)	(7.2)	2.5	18.5	40.7
Orient Electric	NA	7.2	(26.7)	(22.2)	278.2	NA	(14.7)	(49.7)	3.3	NA
Polycab India	(38.4)	(11.5)	1.2	19.6	203.4	37.2	45.0	31.8	81.7	30.0
V-Guard Industries	579.9	18.1	(31.8)	32.6	119.3	(26.9)	(31.8)	(48.9)	(1.7)	16.0

Source: Centrum Broking, Company Data. * BJE data till Q4FY23 includes EPC business while from Q1FY24 onwards it has transitioned to financials of only consumer entity.

Quarterly financials trend - Consumer Durables

Exhibit 14: Quarterly revenue growth trend

Quarterly Revenue Growth YoY (%)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24E
Blue Star	68.1	37.4	34.0	39.9	87.3	27.1	19.1	16.4	12.6	13.3
IFB Industries	99.0	34.3	0.2	9.1	86.6	13.0	4.8	12.2	1.7	6.4
JCHAC	82.5	28.1	18.1	19.8	105.4	(22.4)	(10.0)	(21.1)	(43.9)	12.5
Voltas	37.6	4.7	(10.1)	0.6	55.1	4.7	11.8	10.9	21.4	16.6
Whirlpool of India	30.5	0.5	3.2	(4.1)	55.2	0.3	(15.5)	(2.0)	(2.0)	8.3

Source: Centrum Broking, Company Data

Exhibit 15: Quarterly EBITDA margin trend

Quarterly EBITDA Margin (%)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24E
Blue Star	4.0	5.7	6.0	6.3	6.3	5.4	5.8	6.8	6.5	5.6
IFB Industries	(5.5)	7.1	2.8	(1.1)	3.3	6.2	3.0	2.9	3.2	5.6
JCHAC	1.0	1.4	8.1	5.7	1.4	(17.5)	(0.4)	4.3	(6.3)	(8.6)
Voltas	7.6	7.6	8.7	9.8	6.4	5.7	3.8	7.4	5.5	6.5
Whirlpool of India	4.1	8.1	5.4	8.6	6.3	5.5	3.4	6.3	6.1	5.7

Source: Centrum Broking, Company Data

Exhibit 16: Quarterly PAT growth trend

Quarterly PAT growth YoY (%)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24E
Blue Star	NA	104.7	29.4	12.0	485.1	35.7	23.0	12.9	12.3	31.1
IFB Industries	(8.3)	(22.8)	NA	NA	NA	(1.9)	(64.5)	(64.9)	NA	(6.2)
JCHAC	(52.8)	(51.3)	(33.1)	(64.7)	NA	NA	NA	NA	NA	NA
Voltas	50.1	32.2	(25.0)	(23.1)	(10.6)	(4.4)	(71.9)	(21.2)	18.7	(0.7)
Whirlpool of India	62.0	206.8	(38.6)	(35.6)	228.2	(88.4)	(43.7)	(25.2)	(10.6)	9.5

Source: Centrum Broking, Company Data

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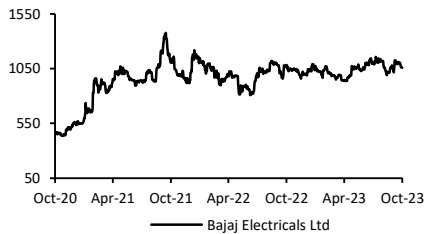
Buy – The stock is expected to return above 15%.

Add – The stock is expected to return 5-15%.

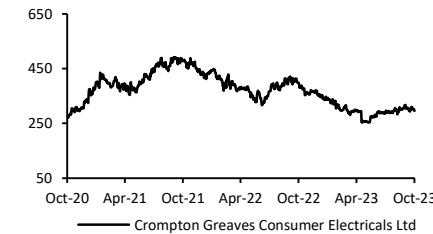
Reduce – The stock is expected to deliver -5-+5% returns.

Sell – The stock is expected to deliver <-5% returns.

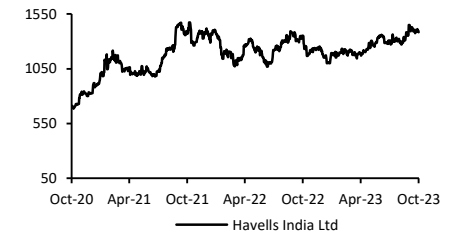
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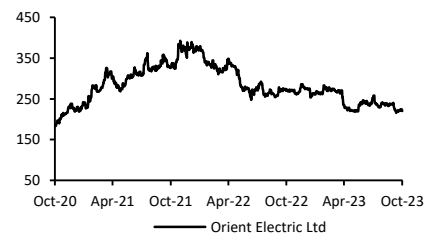
Crompton Greaves



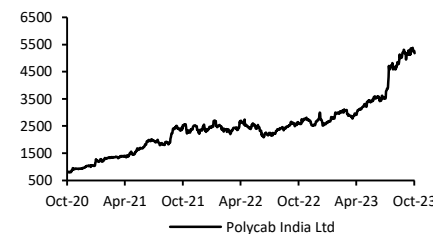
Havells India



Orient Electric



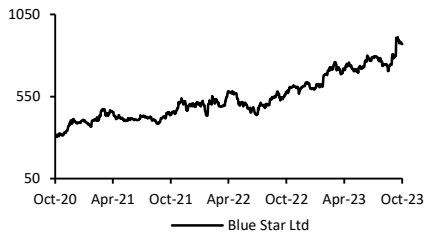
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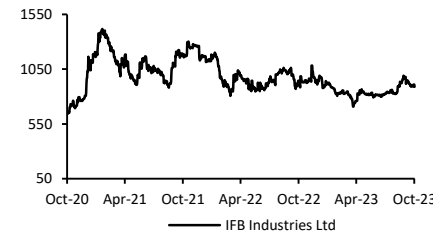
V-Guard Industries



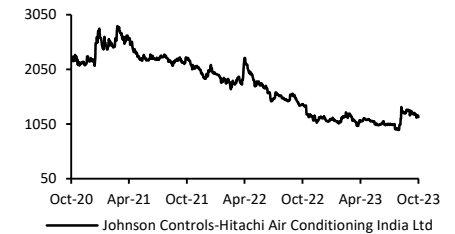
Blue Star



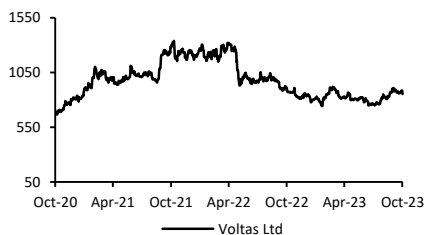
IFB Industries



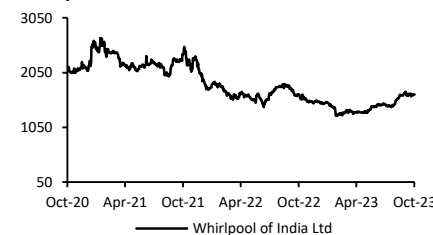
JCHAC



Voltas



Whirlpool of India



Source: Bloomberg

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