

March 06, 2024

**SECTOR UPDATE**

# Consumer Durables & Electricals

## Demand for summer products yet to witness pickup; RAC remains outlier with healthy volume growth

Our channel checks suggest summer demand is not yet fully visible in products like Fans and Air-coolers as temperature in north and west have been lower than normal. Southern region on the other hand has seen strong demand for cooling products with RAC, Air-coolers and Fans registering double-digit growth. Pricing across the product categories have been largely stable as brands have not indulge in pricing under cutting. Our channel checks suggest Crompton's core categories i.e., Fans, Water heater and Pumps have been outperforming the industry growth. Other brands that have been doing well are Voltas, Blue star and Daikin in RAC. We continue to remain positive on Voltas and Crompton needs to be re-looked as it is witnessing positive traction in its core product categories.

- **Fans demand muted:** Dealer checks suggest that Fans demand has been muted for the month of Feb. On the regional front south and to certain extent eastern region has seen positive volume growth, while North and West has been struggling with flattish to minor negative volume growth. On the pricing none of the large brands have taken price hikes, on the contrary Crompton which had taken 2% price increase in month of January has rolled back price in February. BLDC fans continues to see increased acceptance with metros and tier I cities BLDC fans proportion has reached ~30%. Crompton, Atomberg and V-guard are the brands that are doing better.
- **Wires and Cables volume growth continues:** Volume growth in domestic housing wires as per dealers for month of February has been ~14%. Copper and Aluminum prices for month of February on average basis have been trending lower by 5% each. Cables volume growth of ~19% is now being driven by the private sector as Month of February and March is strong month of execution resulting demand for cables. Polycab and KEI has been doing well in Cables while Havells and RR Kabel has been better in wires.
- **Large Appliances particularly RAC continues to shine:** Air conditioners continues to see strong demand traction with south leading the summer demand followed by west and East. North has been subdued as summer has not yet started in North. Volume growth has been in the range of 16% volumes have been largely driven by modern trade. Brands are also offering attractive EMI schemes to lure consumers. Brands that have been doing well is Voltas, Blue star and Daikin. LG has been losing a bit blue star is doing well on back of strong demand from the South. As per dealers' general trend is that post demand in south demand generally pickups in North and West.
- **Pricing have been stable across product categories:** Pricing have been stable across the product categories. There has not been undercutting of the prices by the brand that had been prevailing in the previous year, where some of the brands used pricing as a tool to gain market share.
- **Dealers suggest positive feedback for Crompton:** Our checks suggest that there has been positive feedback about the Crompton's products/new launches. There have been significant new launches from the company across the price spectrum which has been well received by the customers. Dealers also suggested that Crompton for the month of Jan and Feb have been outperforming the industry indicating market share gains. Its product like water heater Crompton and Pumps have done extremely well.

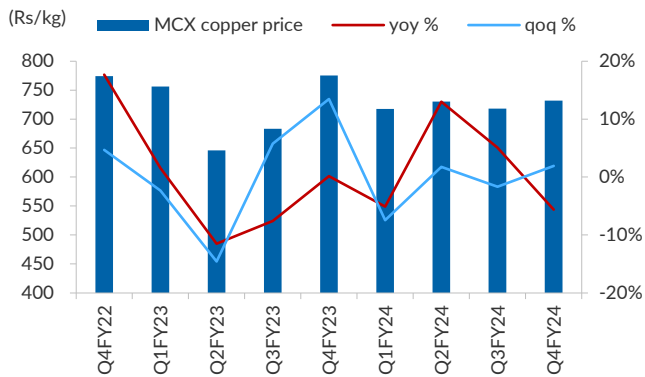
Company	Rating	TP
AMBER IN	NEUTRAL	3,952
BLSTR IN	NEUTRAL	1,139
DIXON IN	ADD	6,622
JCHAC IN	SELL	919
SYML IN	ADD	1,028
TTKPT IN	ADD	883
VOLT IN	NEUTRAL	1,178
WHIRL IN	BUY	1,677
BJE IN	NEUTRAL	1,148
IFB IN	REDUCE	1,182
CROMPTON IN	NEUTRAL	306
HAVL IN	BUY	1,597
ORIENTEL IN	BUY	296
POLYCARB IN	ADD	4,951
VGRD IN	ADD	364
STOVEKRA IN	BUY	624

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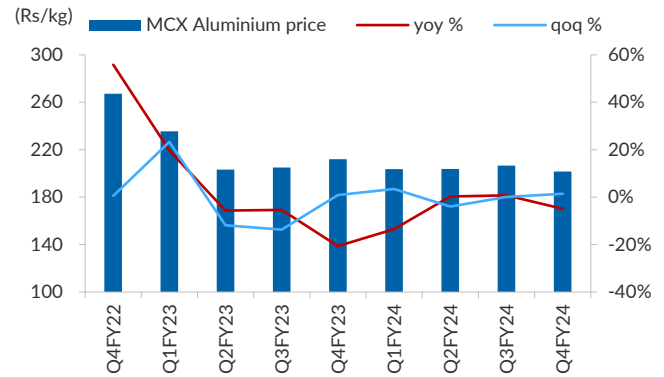
## CHARTS

**Exhibit 1: Copper prices have largely been stable for past 4 quarters**



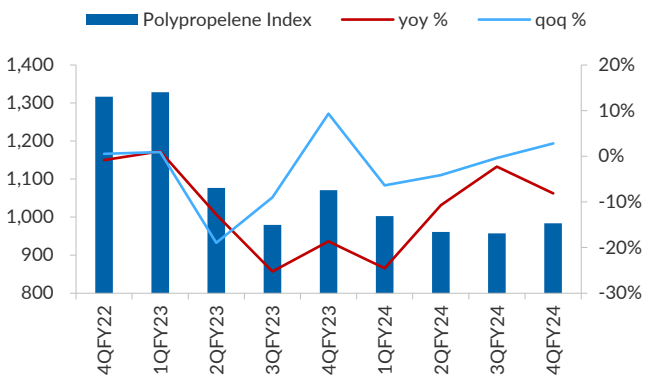
Source: Company, YES Sec

**Exhibit 2: Aluminum prices have been trending lower post its peak in Q4FY22**



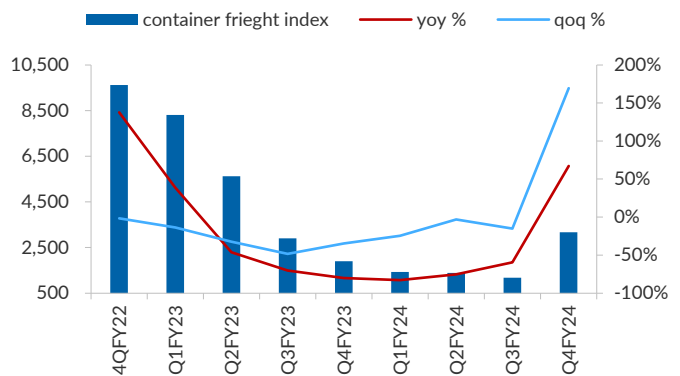
Source: Company, YES Sec

**Exhibit 3: Plastics prices have stabilized at lower levels**



Source: Company, YES Sec

**Exhibit 4: Disruption in red sea has resulted in sharp spike in container freight index**



Source: Company, YES Sec

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