

April 12, 2024

**SECTOR UPDATE**

# Consumer Durables & Electricals

## Heat wave perks up demand for summer products; South see strong demand traction

Our channel checks suggest demand for summer products has seen significant pick up with products like Air-cooler, RAC and Fans has starting to grow at the rapid pace. Southern region on back of heat wave has seen strong demand traction (double digit volume growth) for Fans, RAC and Air-cooler from latter part of the month. 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 has been growing faster than the industry in Fans, while Atomberg has seen extremely strong growth on higher distributor margins. On the RAC side Voltas has made strong come-back while Daikin is the brand to watch out for. We continue to remain positive on Voltas and Crompton, while Symphony needs to be looked at as there have been stock-out of certain models of Air-coolers in South and Symphony is doing better.

- **Fans demand picks up:** Dealer checks suggest that Fans demand that has been muted till month of Feb has demand pick from month of march and from latter part of demand has seen growth in double digits. On the regional front south has been extremely positive followed by West, while North is yet to see significant demand. On the pricing none of the large brands have taken price hikes in Q4, while price increases have been announced in April to the tune of 1.5-2%. BLDC fans continues to see increased acceptance with metros and tier I cites BLDC fans proportion has reached ~30%. Atomberg has done significantly well followed by Crompton.
- **Pre-buying results in strong volume growth in Wires and Cables:** Volume growth in domestic housing wires as per dealers for month of March has been more than 20%. Copper and Aluminum prices for month of March on average basis have been trending lower by 5% each on MoM basis and further it has increased 8% in the Month of April so far. Cables volume growth 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 just seen start of the summer with temperature increasing resulting in demand pick up. Volume growth has been in the range of 16%-18% 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' current Q1 is also expected to remain strong.
- **Companies have announced selective price increase in April:** 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. Some of the companies enthused with the improved demand scenario have announced marginal price increase to ~2%.
- **Dealers suggest positive feedback for Crompton:** Our checks suggest that there has been positive feedback about the summer season. Dealers have been enthused with strong initial demand and expect season to end on strong note. We remain positive on the season and expect summer products sales to be better than expectation. Our Preferred picks from the space would be Symphony, Voltas, Crompton, and Orient electric.

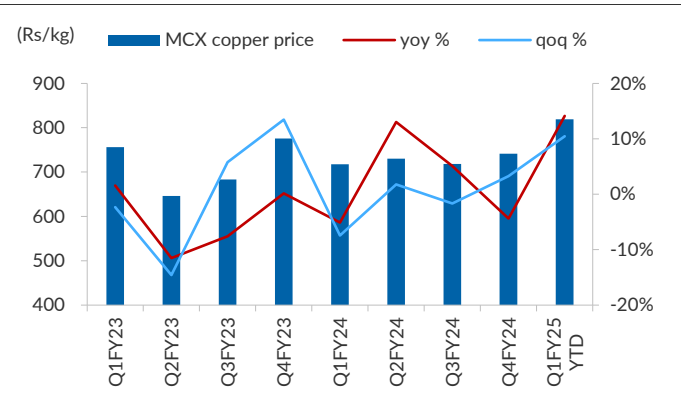
Company	Rating	TP
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BLSTR IN	NEUTRAL	1,139
DIXON IN	ADD	6,622
JCHAC IN	SELL	919
SYML IN	ADD	1,028
TTKPT IN	ADD	883
VOLT IN	NEUTRAL	1,178
WHIRL IN	BUY	1,677
BJE IN	NEUTRAL	1,148
IFB IN	REDUCE	1,182
CROMPTON IN	BUY	328
HAVL IN	BUY	1,597
ORIENTEL IN	BUY	296
POLYCARB IN	ADD	4,951
VGRD IN	ADD	364
STOVEKRA IN	BUY	624

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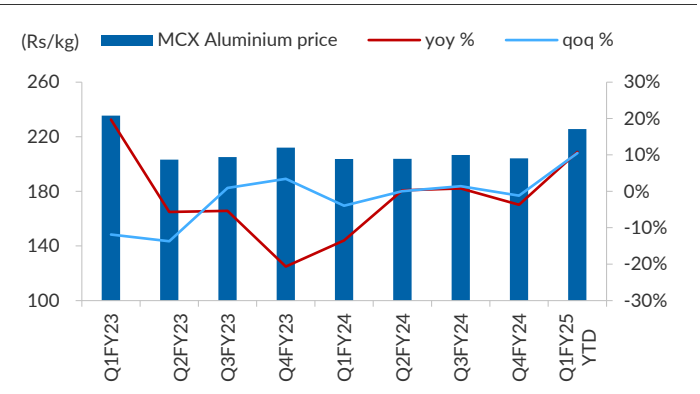
## CHARTS

**Exhibit 1: Copper prices have shot up sharply in month of April so far**



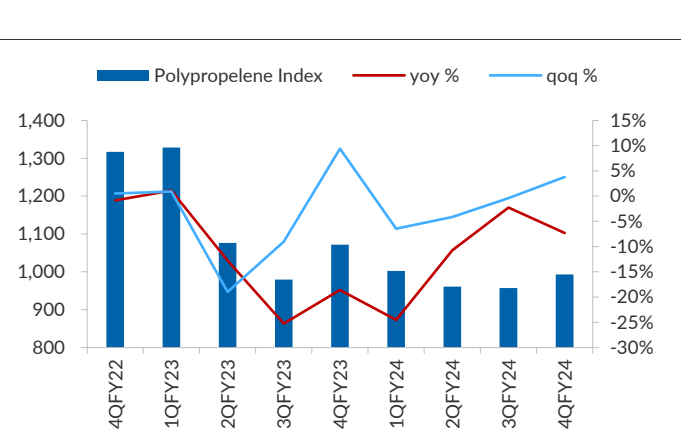
Source: Company, YES Sec

**Exhibit 2: Aluminum prices have inching higher in month of April**



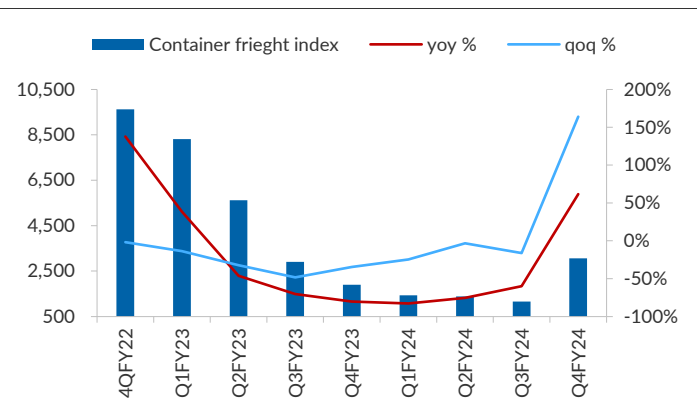
Source: Company, YES Sec

**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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