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Gain in market share, festive demand key drivers...

We expect I-direct consumer discretionary (CD) universe to continue its growth momentum even in Q3FY21E amid strong festive demand and market share gains. The CD universe is likely to report revenue growth of 13% YoY led by paints, electrical consumer durable (ECD), pipes segments. We believe paint companies will report strong volume growth for Q3FY21 (in the range of 14-15%) supported by inventory build-up by dealers ahead of withdrawal of discounts by the companies. The recent surge in auto OEMs sales volume and a low base of decorative paints would benefit Kansai Nerolac in terms of strong volume growth of 15% in Q3FY21E. On the ECD front, companies like Bajaj Electricals, Crompton Greaves Consumer, Havells India are likely to report a strong revenue growth in the consumer appliances categories (up to ~16% YoY) owing to changing consumer lifestyle (work from home) and market share gains from unorganised/regional players due to their robust supply chain network and pan-India reach. On the piping business, we believe Supreme Industries and Astral Poly would report strong volume growth in Q3FY21 (up ~22%, 30% YoY, respectively) supported by continuous rural/semi-urban demand in addition to pent up demand from metro regions.

Improved utilisation, better product mix to support margin

I-direct CD universe is likely to see ~150 bps YoY expansion in EBITDA margin led ECD companies. We believe price hikes, better product mix would help negate restoration of some operating costs like advertisement expenses, travelling, etc. Bajaj Electricals will report strong EBITDA margin expansion (~326 bps YoY) supported by better mix and various cost optimisation measure taken in the project business. On the paint front, withdrawal of discounts provided in H1FY21 would help paint companies negate higher overhead expense, thereby maintaining margin at elevated levels. On the piping front, raw material inventory gains, improved utilisation level would aid in EBITDA margin by ~280 bps, ~110 bps YoY for Supreme Ind and Astral Poly respectively. On the ECD front, despite pressure from industrial product & project business, Voltas, Havells are likely to see further recovery in EBITDA margin by ~150 bps, ~140 bps YoY, respectively.

Universe expected to show strong bottomline growth

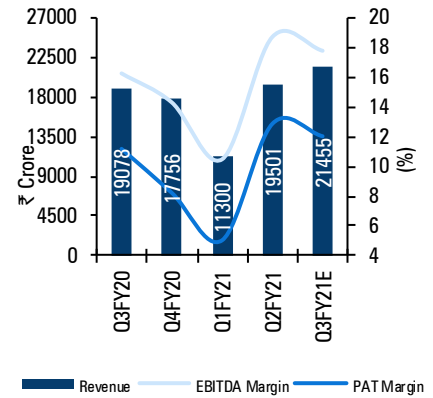
The I-direct CD universe is likely to see ~21% YoY growth at the PAT level due to better margins and lower interest cost. We believe, from our coverage, Supreme Industries, Astral Poly, Bajaj Electricals and Kansai Nerolac will be ahead of the peers in terms of bottomline growth.

Exhibit 1: Estimates for Q3FY21E: (Consumer Discretionary) (₹ crore)

Company	Revenue		Change (%)		EBITDA		Change (%)		PAT		Change (%)	
	Q3FY21E	YoY	QoQ	Q3FY21E	YoY	QoQ	Q3FY21E	YoY	QoQ	Q3FY21E	YoY	QoQ
Asian Paints	6,062.1	11.8	13.3	1,366.3	14.9	8.0	917.5	17.7	7.7			
Berger Paints	1,911.2	12.7	9.7	349.8	18.1	4.3	219.7	20.8	-0.6			
Kansai Nerolac	1,400.5	12.2	8.7	251.3	30.9	-3.1	171.6	39.8	8.2			
Pidilite Industries	2,104.9	9.3	11.9	522.8	12.9	2.0	385.9	11.5	8.3			
Supreme Industries	1,618.0	17.8	17.7	305.4	38.2	19.4	196.6	59.3	12.4			
Astral Poly Technik	836.3	25.9	11.9	158.0	33.7	10.0	94.1	38.6	7.1			
Havells	2,596.4	14.4	5.9	345.3	29.2	-17.9	215.4	7.5	-33.7			
Crompton Greaves Con	1,230.7	14.9	1.4	176.0	28.8	-8.0	129.4	-19.6	-8.7			
Bajaj Electricals	1,427.3	11.2	17.2	121.3	80.2	16.1	70.5	653.6	33.5			
V-Guard Industries	678.0	7.3	8.8	78.6	28.2	3.0	52.6	18.9	1.9			
Voltas Ltd	1,559.8	4.5	-3.3	123.5	26.6	26.1	95.8	9.0	20.3			
Total	21,425.2	12.3	9.9	3,798.3	22.1	3.7	2,549.3	20.0	1.9			

Source: Company, ICICI Direct Research

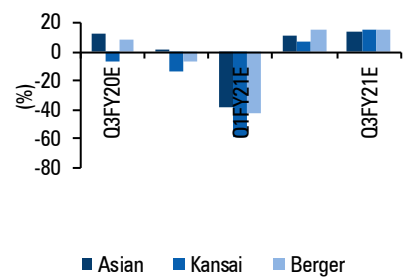
Topline & Profitability (Coverage Universe)



EBITDA margin (%) movement

EBITDA margin	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Asian Paints	21.9	18.5	16.6	23.6	22.5
Berger Paints	17.5	15.4	9.9	19.2	18.3
Kansai Nerolac	15.4	12.9	13.5	20.1	17.9
Pidilite Ind	24.0	19.5	7.6	27.3	25.9
Supreme Ind	16.1	19.1	11.1	18.6	18.9
Astral Poly	17.8	17.9	13.4	19.2	18.9
Havells	11.8	11.1	8.8	17.2	13.3
Bajaj Ele	5.2	2.9	-3.6	8.6	8.5
CGCEL	12.8	13.8	14.1	15.8	14.3
V-guard	9.7	8.4	2.4	12.3	11.6
Voltas	6.5	9.2	5.1	6.1	7.9

Volume growth movement of paint companies



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Exhibit 2: Company Specific Views (Consumer Discretionary)

Asian Paints	Asian Paints is likely to report volume growth of ~14% in Q3FY21E supported by demand recovery in urban regions (during festive season) and sustained rural demand. However, with a change in product mix, the company is likely to report revenue growth of 12% YoY to ₹ 6062 crore. On the margin front, gross margins are likely to remain flat YoY, mainly due to a sharp recovery in input prices from its low made during May-June 2020. However, better operating leverage is expected to help EBITDA margin stay elevated at 22.5%. PAT may see a growth of 18% YoY at ~ ₹ 918 crore
Astral Poly	We believe Astral Poly's consolidated sales will see growth of ~26% YoY to ₹ 836 crore in Q3FY21 led by demand revival in urban regions. Piping and adhesive segment revenues are likely to increase 28% and 20% to ₹ 646 crore and ₹ 190 crore, respectively, during Q3FY21. Further, inventory gains in the piping segment along with better profitability in the adhesive segment would help drive EBITDA margin up by 110 bps YoY to 18.9%. As a result, PAT may see growth of 39% YoY at ₹ 94 crore
Berger Paints	Berger Paint's consolidated sales are likely to increase ~13% YoY to ₹ 1911 crore led by ~15% YoY volume growth in Q3FY21. Volume growth would be largely driven by semi urban markets and launch of new products in the water proofing segment. On the raw material front, prices saw an upward movement on a month-on-month basis but remained same compared to Q3FY20. As a result, the better operating leverage may help drive EBITDA margin up by 80 bps YoY at 18.3%. Finally, PAT may see growth of 21% YoY to ~₹ 220 crore supported by a marginal decline in interest cost
Bajaj Electricals	BEL's revenue is likely to increase ~11% YoY to ~₹ 1427 crore in Q3FY21E led by ~15% and ~3% YoY growth in the segment revenue of consumer products and project business to ₹ 993 crore and ₹ 434 crore, respectively. Price hikes, in order to offset higher raw material prices and better operating leverage in the project business would help drive EBITDA margin up by 325 bps YoY at 8.5%. Better profitability along with saving in interest cost may result a strong growth in PAT to ₹ 71 crore
Crompton Greaves Consumer	CGCEL's revenue may see growth of 15% YoY to ₹ 1231 crore led by 16% and 12% YoY growth in the ECD and lighting business to ₹ 912 crore and ₹ 318 crore, respectively. Strong festive demand in addition to market share gains from unorganised segment likely to drive revenue for CGCEL. Better operating leverage and stability in prices of lighting products would have help increase in EBITDA margin by ~154 bps YoY to 14%. Finally, CGCEL's PBT is likely to increase 24% YoY to ₹ 172 crore while PAT may see a decline of 20% YoY to ₹ 129 crore mainly due to tax reversal benefit in the base period
Havells India	Havells is likely to report revenue growth of ~14% YoY to ₹ 2596 crore led by electrical consumer durable (ECD) and Lloyd segments, which are likely to report revenue growth of 16% YoY and 11% YoY to ₹ 674 crore and ₹ 334 crore, respectively. We believe a slight pick-up in construction activities post opening up of economy would help in recovery in industrial product (like cable, switchgear) demand. Further, the EBITDA margin may see expansion of 152 bps YoY at 13% supported by improved plant utilisation. As a result while PBT may see a growth of 28% YoY at ₹ 295 crore, PAT growth may be restricted to 8% YoY at ~₹ 215 crore mainly due to benefit of tax reversals in the base period
Kansai Nerolac	Kansai is likely to report volume, value growth of ~15%, 12% YoY, respectively, led by recovery in the industrial paints and intact demand of decorative paint segments. We believe, a recovery in input prices would be offset by better operating leverage in the industrial paint categories. As a result, the EBITDA margin is likely to go up 250 bps YoY to 17.9%. Hence, PAT may increase ~40% YoY ₹ 172 crore
Pidilite Industries	Pidilite likely to report ~9% YoY growth in consolidated topline to ₹ 2105 crore in Q3FY21. Consumer & bazaar segment revenue may see an uptick by 9% YoY led by pent up demand and pick up in real estate industry. We believe, the industrial adhesive segment would also see revenue growth of 8% led by construction chemical business. Further, benign raw material prices would be partially offset by restoration of other costs (advertisement & travelling etc), restricting margin expansion at 80 bps YoY to 25% in Q3FY21. PAT may see growth of 12% YoY to ₹ 386 crore
Supreme Industries	The company is likely to post ~18% YoY growth in revenue to ₹ 1618 crore led by ~22% and 12% YoY growth in the piping and packaging segments (contributes ~80% in topline) to ₹ 987 crore and ₹ 350 crore, respectively. Further, inventory gains, cost control measures and rising proportion of value added products would help drive EBITDA margin up ~280 bps YoY at 18.9%. Further, net profit may increase ~59% YoY at ~₹ 197 crore supported by higher income from associates

Source: Company, ICICI Direct Research

Exhibit 3: Company Specific Views (Consumer Discretionary)

V-Guard	<p>V-Guard is likely to report sales growth of ~7% YoY at ₹ 678 crore, led by 13% YoY growth in the revenue of CD business to ₹ 227 crore supported by streamlining of its supply chain networks post Covid led disruption. Growth will be largely driven by the water heater segment. The other two categories electronic and electricals likely to grow 8% and 3% to ₹ 166 crore and ₹ 284 crore, respectively. A better product mix coupled with low advertisement expenses would help drive EBITDA margins up 190 bps YoY at 11.6%. As a result, PAT is expected to grow ~19% YoY at ₹ 53 crore</p>
Voltas	<p>Voltas's consolidated revenue is likely to grow ~5% YoY to ₹ 1560 crore in Q3FY21 led by ~7% YoY growth in the UCP segment to ₹ 640 crore. We believe the EMPS segment revenue would start showing an improvement post ease in lockdown restrictions in various project sites. Improved operating leverage would help drive EBITDA margin up by ~140 bps YoY to 8% in Q3FY21. As a result, PAT may see growth of 9% YoY to ₹ 96 crore in Q3FY21</p>

Source: Company, ICICI Direct Research

Exhibit 4: Valuation Matrix

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Asian Paints (ASIPAI)	2,809	2,440	Buy	2,69,383	29.0	35.9	41.9	96.9	78.2	67.0	45.8	37.4	31.9	24.2	27.3	27.9	28.1	31.7	33.1
Astral Polytechnik (ASTPOL)	1,743	1,260	Hold	26,260	20.7	25.5	27.8	84.1	68.4	62.8	41.8	35.8	33.1	22.3	24.5	24.1	17.3	19.1	18.6
Bajaj Electricals (BAJELE)	642	585	Buy	7,299	11.8	17.1	23.0	NM	37.6	27.9	26.3	20.2	15.9	10.8	14.7	18.6	8.3	13.0	15.4
Berger Paints (BERPAI)	801	675	Hold	77,793	7.8	9.7	11.7	103.0	83.0	68.2	60.3	50.8	43.0	26.9	30.3	34.0	23.8	25.7	27.9
Crompton Greaves(CROGR)	401	440	Buy	25,143	8.3	10.2	11.6	48.1	39.4	34.7	31.6	26.2	23.6	32.2	36.1	38.9	28.4	29.4	30.3
Havells India (HAVIND)	997	835	Buy	62,203	14.1	16.4	20.1	70.5	60.9	49.5	40.5	35.2	29.1	21.5	24.4	28.9	18.5	20.3	24.3
Kansai Nerolac (KANNER)	605	605	Buy	32,605	10.3	12.0	14.0	58.9	50.2	43.2	36.4	32.1	27.9	18.4	19.6	20.5	14.3	15.1	15.7
Pidilite Industries (PIDIND)	1,791	1,850	Buy	90,947	22.7	27.8	31.9	79.0	64.4	56.2	55.0	45.3	36.1	28.2	30.9	31.6	23.2	24.9	25.3
Supreme Indus (SUPIND)	1,788	1,695	Buy	22,712	44.9	47.8	54.9	39.8	37.4	32.6	22.7	21.9	18.2	23.3	22.5	24.3	22.3	21.2	21.6
V-Guard Ind (VGUARD)	215	210	Buy	9,208	3.7	5.3	6.2	58.3	40.4	34.6	34.5	25.4	21.6	20.1	25.3	26.9	15.1	19.5	20.8
Voltas Ltd (VOLTAS)	894	845	Hold	29,568	12.3	22.6	29.8	72.7	39.6	30.0	57.7	31.1	25.2	12.8	20.1	21.9	9.1	15.3	17.5

Source: Company, ICICI Direct Research

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Sell: < -15%



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