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## Strong performance continues on favourable base...

The I-direct consumer discretionary universe is likely to post strong revenue growth of ~27% YoY supported by favourable base, seasonality and market share gains. Paint companies are likely to post strong volume growth of ~28% YoY led by decorative paints segment (led by construction chemical/water proofing segments) amid a pick-up in construction and renovation activities. On the plastic piping front, Supreme Industries and Astral Poly are both likely to post strong volume growth in the range of 21-23% on a favourable base and market share gains from unorganised/regional players. Some pre-buying activities were also witnessed in the piping business amid fears of a continuous rise in input prices. On the ECD front, companies like Havells India, V-Guard and Crompton Greaves Consumer are likely to report strong revenue growth of ~48%, 36% and 29% YoY, respectively, owing to new product launches and strong demand of home appliances amid changing consumer lifestyle (work from home). We believe companies also gained market share from unorganised players amid various supply concerns such as logistics issues and chip shortages. On the adhesive front, Pidilite Industries is likely to post strong revenue growth of 21% YoY led by dealer expansion in towns/villages and consolidation of Huntsman Advanced Materials Solutions Pvt Ltd [name changed to Pidilite Adhesive Pvt Ltd (PAPL)].

### EBITDA margin to remain elevated YoY

The EBITDA margin of paints, adhesive and ECD companies is likely to increase in the range of 200-400 bps YoY led by operating leverage and saving in other cost. We believe, ECD companies have taken price hikes in the range of 5-6% in Q4FY21 to offset higher input prices (copper prices up 50% YoY), For paint companies, a sharp rise in input prices (TiO2 prices up 14% YoY) was completely offset by withdrawal of discounts/schemes, higher operating leverage and other cost, resulting in elevated EBITDA margin. On the piping front, unorganised/regional players have taken a significant hit due to a sharp rise in input prices (PVC prices almost doubled in last one year) leading to market share gains for Supreme and Astral Poly.

### Strong sales growth, elevated margin to drive PAT higher

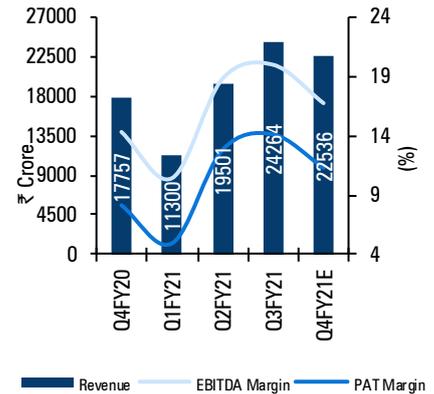
The I-direct CD universe is likely to see ~76% YoY growth at the PAT level due to strong sales growth and better margins. We believe, from our coverage, Supreme Industries, Astral Poly, Crompton Greaves Consumer, V-Guard will be ahead of peers in terms of bottomline growth.

Exhibit 1: Estimates for Q4FY21E: (Consumer Discretionary) (₹ crore)

Company	Revenue		Change (%)		EBITDA		Change (%)		PAT		Change (%)	
	Q4FY21E	YoY	QoQ	Q4FY21E	YoY	QoQ	Q4FY21E	YoY	QoQ	Q4FY21E	YoY	QoQ
Asian Paints	5,739.1	23.8	-15.5	1,298.7	51.1	-27.4	861.0	79.3	-32.0			
Berger Paints	1,699.5	25.4	-19.8	328.7	57.7	-20.8	223.2	116.3	-18.8			
Kansai Nerolac	1,232.5	24.7	-16.3	202.7	58.6	-30.1	135.4	89.6	-32.9			
Pidilite Industries	1,875.6	21.4	-18.4	404.0	34.3	-37.0	266.2	70.1	-40.4			
Supreme Industries	1,872.2	30.9	1.5	337.6	23.5	-15.9	241.7	106.1	-22.6			
Astral Poly Technik	854.8	35.9	-4.8	168.4	49.6	-12.3	104.1	101.7	-16.0			
Havells	3,287.5	48.3	3.8	427.7	74.2	-15.8	261.5	47.5	-25.1			
Crompton Greaves Con	1,322.4	28.9	-1.9	183.4	29.8	-8.3	133.6	30.8	-11.6			
Bajaj Electricals	1,438.8	10.6	-4.1	115.4	209.1	-21.8	79.5	LP	-19.0			
V-Guard Industries	733.8	35.6	-12.1	76.0	66.7	-34.2	57.0	76.9	-27.2			
Voltas Ltd	2,479.6	18.7	24.3	230.4	20.0	58.0	189.3	18.7	47.2			
<b>Total</b>	<b>22,535.8</b>	<b>26.9</b>	<b>-7.1</b>	<b>3,772.9</b>	<b>48.3</b>	<b>-22.1</b>	<b>2,552.6</b>	<b>76.0</b>	<b>-25.6</b>			

Source: Company, ICICI Direct Research

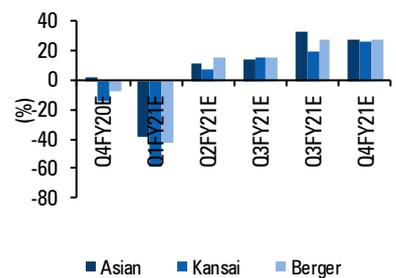
### Topline & Profitability (Coverage Universe)



### EBITDA margin (%) movement

EBITDA margin	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
Asian Paints	18.5	16.6	23.6	26.3	22.6
Berger Paints	15.4	9.9	19.2	19.6	19.3
Kansai Nerolac	12.9	13.5	20.1	19.7	16.4
Pidilite Ind	19.5	7.6	27.3	27.9	21.5
Supreme Ind	19.1	11.1	18.6	21.8	18.0
Astral Poly	17.9	13.4	19.2	21.4	19.7
Havells	11.1	8.8	17.2	16.0	13.0
Bajaj Ele	2.9	-3.6	8.6	9.8	8.0
CGCEL	13.8	14.1	15.8	14.8	13.9
V-guard	8.4	2.4	12.3	13.8	10.4
Voltas	9.2	5.1	6.1	7.3	9.3

### Volume growth movement of paint companies



### Research Analysts

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**Exhibit 2: Company Specific Views (Consumer Discretionary)**

Company	Remarks
Asian Paints	Asian Paints is likely to see volume growth of ~28% in Q4FY21E on a favourable base and improved re-painting demand amid pick up in construction activities. Revenue growth at 24% YoY to ₹ 5739 crore would be largely on the back of product mix. On the margin front, we believe from its peak in Q3FY21, the EBITDA margin is likely to taperdown. However, on a YoY it is still an expansion by ~408 bps to 22.6% led by better operating leverage. PAT may see growth of 80% YoY at ~ ₹ 861 crore
Astral Poly	We believe Astral Poly's consolidated sales will see growth of ~36% YoY to ~₹ 855 crore in Q4FY21 on a favourable base and dealer additions in the adhesive business. Piping segment likely to report revenue growth of 29% YoY to ₹ 636 crore led by ~23% YoY volume growth. Adhesive segment revenues is likely to increase 61% YoY to ₹ 218 crore in Q4FY21. We believe improved profitability of adhesive business and higher operating leverage in the piping business would drive overall EBITDA margin up by 180 bps YoY to 19.7%. Strong profitability and lower interest outgo (down 82% YoY) are likely to drive PAT up 102% YoY at ₹ 104 crore
Berger Paints	Consolidated sales is likely to increase ~25% YoY to ~₹ 1700 crore led by ~28% YoY volume growth in Q4FY21. Volume growth would be largely driven by new products in the water proofing segment and continued demand from semi urban regions. A sharp recovery in input prices along with other expenditure would result in EBITDA margin to shrink from its peak. However, the same would be up ~400 bps YoY to 19.4% led by improved operating leverage. Finally, PAT may see ~2x jump YoY to ~₹ 223 crore supported by sales growth and improved margin
Bajaj Electricals	BEL is likely to post consolidated revenue growth of ~11% YoY to ~₹ 1439 crore in Q4FY21E led by ~24% YoY growth in revenue of the consumer products category to ₹ 923 crore. However, rationalisation of exposure in the project business would lead to ~7% YoY drop in revenue from engineering and project division to ₹ 516 crore. Price hikes, in order to offset higher raw material prices, and better operating leverage would result in better EBITDA margin at 8% (vs. 3% in Q4FY20). Better profitability along with saving in interest cost may result in strong growth in PAT to ₹ 80 crore
Crompton Greaves Consumer	CGCEL's revenue may see growth of 29% YoY to ₹ 1322 crore on low base and stability in the lighting revenue. On the segment front, lighting business (~25% of annual revenue) is likely to see revenue growth of ~45% YoY to ~₹ 412 crore while ECD revenue may increase 23% YoY to ₹ 910 crore. Price hikes and better operating leverage would help maintain EBITDA margin at elevated level of ~14%. Finally, PAT may also see a jump of 31% YoY to ₹ 133.6 crore in Q4FY21
Havells India	Havells is likely to report revenue growth of ~48% YoY to ₹ 3288 crore on a lower base and strong performance by electrical consumer durable (ECD) division. ECD and Lloyd divisions are likely to report revenue growth of 67% and 30% YoY to ₹ 696 crore and ₹ 594 crore, respectively. We believe a slight pick-up in construction activity would help drive demand of cable and switchgear demand. Further, the EBITDA margin may see expansion of 193 bps YoY at 13% supported by improved plant utilisation. Finally, PAT may see growth of ~48% YoY at ~₹ 262 crore
Kansai Nerolac	Kansai is likely to report volume, value growth of ~27%, 25% YoY, respectively, led by strong demand in both the industrial and 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 350 bps YoY to 16.4%. Hence, PAT may increase ~90% YoY ₹ 135 crore
Pidilite Industries	Pidilite is likely to report ~21% YoY growth in consolidated topline to ₹ 1876 crore in Q4FY21 led by the consumer & bazaar segment revenue growth of 22% YoY to ₹ 1374 crore. The industrial segment revenue may also grow ~19% YoY to ₹ 524 crore. We believe a favourable base, acquisition of new business and pick-up in construction activities would help drive demand for Pidilite Industries. Further, the EBITDA margin is likely to increase ~210 bps YoY to 21.5% led by better operating leverage in Q4FY21. PAT may see growth of 70% YoY to ₹ 266 crore
Supreme Industries	Supreme is likely to post 31% YoY growth in revenue to ~₹ 1872 crore led by volume growth of ~23% YoY. The piping and packaging segments (contributes ~80% in topline) is likely to grow 36% and 32% YoY to ₹ 1273 crore and ₹ 275 crore, respectively, led by increased demand and market share gains from unorganised players. Further, cost control measures and rising proportion of value added products would help keep EBITDA margin at an elevated 18%. As a result, PBT is likely to grow 28% YoY at ₹ 277 crore. However PAT may record strong growth of ~106% YoY at ~₹ 241 crore supported by higher income from associates and lower tax outgo (as base period includes one-time charge of ₹ 42 crore)

Source: Company, ICICI Direct Research

**Exhibit 3: Company Specific Views (Consumer Discretionary)**

V-Guard	<p>V-Guard is likely to report sales growth of ~36% YoY at ₹ 734 crore, led by 49% YoY growth in the revenue of electronics segment to ₹ 225 crore (stabilisers +55% YoY, Digital UPS +36% YoY). The electricals and consumer durable segment may also see growth of 36% and 21% YoY to ₹ 335 crore and ₹ 174 crore, respectively. The EBITDA margin is likely to improve ~200 bps YoY at 10.4% on higher operating leverage. As a result, PAT is expected to grow ~77% YoY at ₹ 57 crore</p>
Voltas	<p>Voltas' consolidated revenue is likely to grow ~19% YoY to ₹ 2480 crore in Q4FY21 led by ~22% YoY growth in the UCP segment to ₹ 1458 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 keep EBITDA margin at elevated level of 9.3% Q4FY21. As a result, PAT may see growth of 19% YoY to ₹ 189 crore in Q4FY21</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)	2,628	3,010	Hold	2,52,025	32.8	39.9	46.3	80.0	65.8	56.8	52.7	43.8	37.5	26.7	28.6	28.5	31.1	33.4	34.0
Astral Polyteknik (ASTPOL)	1,581	1,670	Hold	23,820	22.2	30.4	37.1	105.7	77.1	63.3	54.8	42.8	35.7	23.9	29.0	30.8	18.3	22.5	23.7
Bajaj Electricals (BAJELE)	1,020	1,075	Buy	11,596	18.9	25.4	35.2	NM	36.3	26.1	31.0	25.0	18.2	17.6	21.4	24.8	13.5	17.3	19.9
Berger Paints (BERPAI)	752	810	Hold	73,034	7.6	9.7	12.4	98.9	77.3	60.8	63.9	52.3	42.5	26.1	30.0	35.1	23.4	26.0	29.0
Crompton Greaves(CROGR)	390	480	Buy	24,453	7.9	9.5	12.0	49.1	40.9	32.4	37.6	31.9	25.8	31.1	34.8	41.1	27.4	28.4	32.1
Havells India (HAVIND)	1,060	1,255	Hold	66,133	16.1	17.8	22.9	65.9	59.6	46.2	45.8	41.2	32.5	23.7	25.5	30.8	20.6	21.2	25.7
Kansai Nerolac (KANNER)	593	675	Buy	31,958	9.7	12.7	15.0	60.9	46.6	39.6	37.9	30.4	25.9	17.9	20.7	21.6	13.7	15.9	16.6
Pidilite Industries (PIDIND)	1,888	1,920	Buy	95,873	22.1	28.2	32.9	85.3	67.0	57.4	50.0	39.9	34.7	28.4	31.5	32.4	22.8	25.3	25.9
Supreme Indus (SUPIND)	1,974	2,010	Buy	25,075	62.2	50.0	58.0	31.7	39.5	34.1	19.5	21.4	18.6	27.3	21.7	23.2	28.4	20.4	20.9
V-Guard Ind (VGUARD)	241	265	Buy	10,322	4.2	6.1	7.1	56.9	39.6	34.0	34.8	26.2	22.4	23.6	27.9	29.0	16.8	21.1	21.9
Voltas Ltd (VOLTAS)	999	1,260	Buy	33,040	15.7	25.8	32.1	63.5	38.7	31.1	58.5	35.6	28.4	16.3	22.6	24.2	11.4	16.8	17.9

Source: Company, ICICI Direct Research

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Sell: < -15%



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