

Apr-Jun'22 Earnings Preview

July 4, 2022

Strong summer season, inventory level high amid commodity cost correction

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Bajaj Electricals	Accumulate	1,077	1,091
CC Cons. Elect.	BUY	350	534
Havells India	Accumulate	1,133	1,369
KEI Industries	Accumulate	1,198	1,273
Polycab India	HOLD	2,150	2,472
Voltas	HOLD	966	1,071

Source: PL

Note: Target prices may not be consistent with ratings as stocks have corrected in last one month. We have positive stand on Crompton consumer, Havells and KEI Industries.

Top Picks

Crompton Electricals **Greaves** **Consumer**

Quick Pointers:

- Room AC segment saw strong rebound, DC refrigerator demand remains weak.
- Voltas is yet to recover lost ground, Lloyd maintained strong growth momentum
- High inventory levels with commodity prices correction; Weak rural demand.

Demand softness witnessed towards end of the quarter, due to commodity price correction (~10-15% in June month) and offset of summer season. Overall companies have been reluctant in taking price hikes. Although commodity cost correction has begun, our channel check indicate that further price hike will be inevitable going forward. Rural demand remains weak. We expect our consumer durables universe to register sales growth of 70% YoY (low base due to COVID 2nd wave). With sustained RM inflation, inability to increase prices due to weak demand and return of some discretionary costs, we expect margins to remain under pressure (+10bps QoQ) for our coverage universe. We expect EBITDA/PAT growth of 98%/ 103% YoY (low base due to COVID 2nd wave) across our coverage universe. Although we remain structurally positive on long term prospects, we see demand headwinds due to high inflation in near term

We maintain our positive stance on Consumer Durables because of low penetration and market consolidation. Butterfly acquisition will further strengthen its positioning in kitchen appliance market. We rate CROMPTON as our top pick. We believe Voltas's re-rating depends upon market share rebound in room AC segment which we expect to happen by year end. Havells's is benefitting from Lloyd's ramp-up but profitability is yet to improve which would further re-rate the stock. Weak rural demand is not favorable for Bajaj Electrical in near term. KEI/Polycab wil continue to benefit from industrial uptick.

Channel Check Highlights

Room AC segment- Strong summer season:

- Our channel check findings for Room AC segment suggest strong summer season, except in South (mainly in Kerala/Karnataka) due to intermittent rains. June month saw declining momentum in comparison to April and May.
- Our channel checks for Voltas suggest improvement in supply situation, but there is shortage of few models (in 3-star category). It also launched schemes during end of the season. However, we believe that Voltas's market share may not recoup until next season.
- In other whitegoods, Haier is growing faster than Godrej/Whirlpool. IFB has delivered good growth in room AC.

Mayank Bhandari
mayankbhandari@plindia.com |

Amnish Aggarwal
amnishaggarwal@plindia.com | 91-22-66322233

- Demand for DC refrigerator continues to be weak and upgradation to high end (double door) continues to prevail.
- Samsung has done well in southern markets.
- LG has gained market share in room AC segment and is contemplating further price hike of 8-10%.

Electricals- Inventory level high with commodity prices correction:

- Our channel check suggest that demand for Wires/Cables is taking a hit amid commodity price correction (Havells has already taken 8-9% price correction in last one month). Accordingly many other brands are preparing for the same.
- In Fans category, demand is weak in rural areas, as prices have increased ~15-20% in last 2 years. However fans are expected to see market share shift towards branded names like Crompton/Orient, post implementation of energy efficiency norms. Recently, brands have increased their SKUs for BLDC fans and ~5-10% of total SKUs are BLDC now. In northern markets, V-Guard has become aggressive towards fans.
- We noticed demand slowdown in Crompton pumps (rural), as prices increased ~30-40% in last 2 years.

Rural demand weak- Price hike inevitable going forward:

- Our channel check suggests that there will be price hike in future, if current inflationary environment persist. Rural demand will continue to be weak with such high level of inflation.
- Overall, we believe demand and margins are expected to be under pressure in the near term.

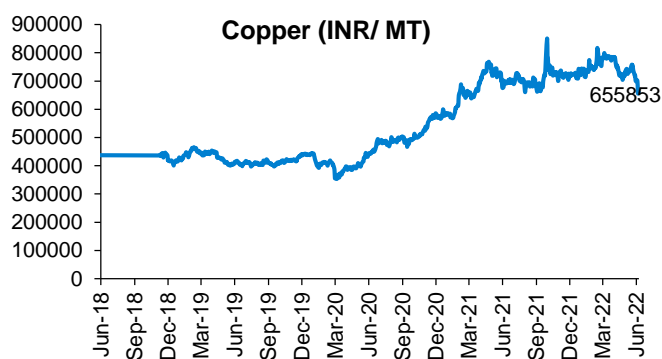
Exhibit 2: Q1FY23 Result Preview

Company Name		Q1FY23E	Q1FY22	YoY gr. (%)	Q4FY22	QoQ gr. (%)	Remark
Bajaj Electricals	Sales	13,299	8,528	56.0	13,224	0.6	We expect sales to grow by 56% YoY. Consumer Products/EPC to grow by 70%/20%. We expect margin of 5.2% (+70pbs QoQ). Changing mix, reducing interest burden and cost saving measures will help deliver better profitability, going forward.
	EBITDA	696	71	874.7	592	17.5	
	Margin (%)	5.2	0.8		4.5		
	PBT	922	-87	NA	667	38.2	
	Adj. PAT	691	-64	NA	480	44.1	
Crompton Greaves Consumer Electricals	Sales	17,967	10,462	71.7	15,321	17.3	We expect sales to grow by 71.7% with ECD/ Lighting segment growing by 40%/ 90%. We have factored in contribution from Butterfly acquisition. We expect margins to remain under pressure due to commodity inflation and butterfly integration. PAT to grow by 83%.
	EBITDA	2,458	1,228	100.2	2,223	10.6	
	Margin (%)	13.7	11.7		14.5		
	PBT	2,270	1,248	81.9	2,153	5.4	
	Adj. PAT	1,703	931	82.8	1,818	(6.3)	
Havells India	Sales	44,362	25,982	70.7	44,171	0.4	We expect core segment sales to grow by 51% YoY. After strong Q4 FY22, we have factored in 128% growth for Lloyd in the current quarter. We expect margins to remain under pressure due to commodity cost inflation and higher contribution from Lloyd. PAT to grow by 54 YoY.
	EBITDA	5,304	3,531	50.2	5,205	1.9	
	Margin (%)	12.0	13.6		11.8		
	PBT	4,804	3,148	52.6	4,749	1.1	
	Adj. PAT	3,603	2,343	53.8	3,530	2.1	

Company Name		Q1FY23E	Q1FY22	YoY gr. (%)	Q4FY22	QoQ gr. (%)	Remark
KEI Industries	Sales	16,439	10,176	61.6	17,917	(8.2)	We expect sales to grow by 62%. We expect margins to decline by 130bps YoY, while PAT to grow by 66% YoY.
	EBITDA	1,632	1,137	43.5	1,719	(5.1)	
	Margin (%)	9.9	11.2		9.6		
	PBT	1,479	912	62.2	1,558	(5.1)	
	Adj. PAT	1,110	671	65.5	1,157	(4.1)	
Polycab India	Sales	32,402	18,552	74.7	39,699	(18.4)	We expect sales to grow by 74.7% YoY with Wires & Cables/ FMEG growing by 82%/ 76%. We expect margins to remain under pressure due to commodity inflation. PAT to grow by 209% YoY.
	EBITDA	3,487	1,342	159.9	4,762	(26.8)	
	Margin (%)	10.8	7.2		12.0		
	PBT	3,028	991	205.5	4,303	(29.6)	
	Adj. PAT	2,237	724	208.8	3,221	(30.5)	
Voltas	Sales	31,496	17,852	76.4	26,666	18.1	We expect sales to grow by 76% with UCP/ EMPS sales to grow by 139%/ 4%. We expect margins to expand by 370bps YoY which reflects the impact of operating leverage. We expect PAT to grow by 103% YoY. We expect JV to report a loss of Rs300mn.
	EBITDA	3,565	1,358	162.6	2,610	36.6	
	Margin (%)	11.3	7.6		9.8		
	PBT	3,718	1,986	87.2	2,762	34.6	
	Adj. PAT	2,476	1,218	103.3	1,827	35.5	

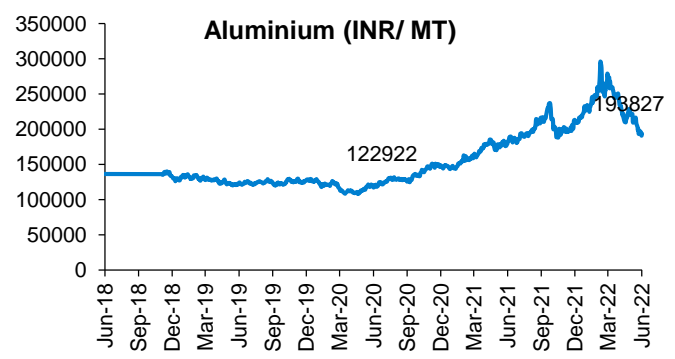
Source: Company, PL

Exhibit 3: Copper spot price up by 19%/ 1.4% YoY/QoQ



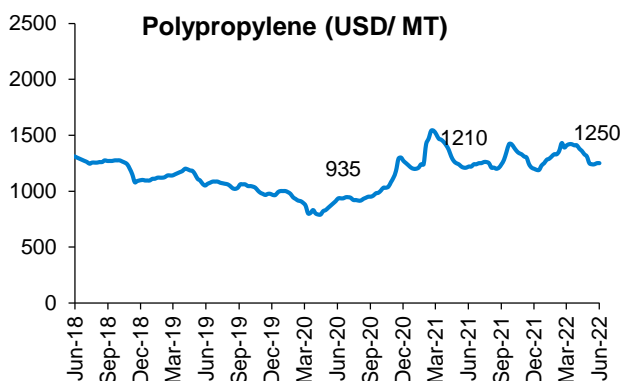
Source: PL

Exhibit 4: Avg Aluminum spot price up 46%/ 8.1% YoY/QoQ



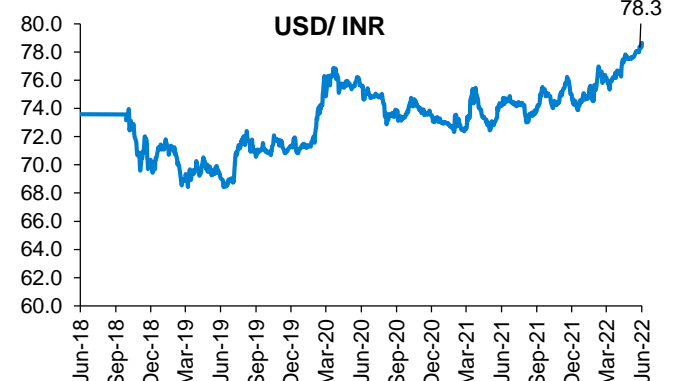
Source: PL

Exhibit 5: Polypropylene prices down 0.2%/ 1.2% YoY/ QoQ



Source: PL

Exhibit 6: Avg INR depreciated by 3.1%/ 6.0% YoY/ QoQ



Source: PL



Exhibit 7: Valuation Summary

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
					FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Bajaj Electricals	S Acc	1,077	1,091	123.3	45.7	47.7	54.5	63.4	3.0	2.3	3.6	5.0	1.7	1.7	2.8	3.7	15.0	14.6	24.6	32.2	11.5	9.8	14.9	17.3	71.7	73.9	43.8	33.4
Crompton Greaves Consumer Electricals	S BUY	350	534	221.6	47.5	53.7	73.3	83.5	7.0	7.6	10.9	12.9	5.3	5.9	7.4	8.9	8.4	9.4	11.6	14.0	31.2	27.1	27.3	28.2	41.6	37.3	30.1	24.9
Havells India	S Acc	1,133	1,369	709.3	104.3	138.9	156.8	177.5	15.7	17.6	20.8	25.0	10.5	11.9	13.9	17.0	16.8	19.1	22.2	27.1	22.2	21.4	21.7	23.0	67.4	59.4	51.1	41.7
KEI Industries	C Acc	1,198	1,273	107.6	41.8	57.3	67.0	77.4	4.6	5.9	7.1	8.7	2.7	3.7	4.6	5.7	30.4	41.3	51.1	63.6	16.6	19.0	19.4	20.0	39.4	29.0	23.4	18.8
Polycab India	C HOLD	2,150	2,472	320.7	87.9	122.0	139.0	159.5	11.1	12.7	17.1	20.4	7.4	8.4	11.7	14.0	49.5	56.1	78.3	93.9	17.2	16.2	19.4	19.8	43.5	38.3	27.4	22.9
Voltas	C HOLD	966	1,071	319.4	75.6	79.3	94.5	109.7	6.4	6.8	8.8	10.6	5.3	5.0	7.5	9.2	15.9	15.2	22.7	27.7	11.3	9.6	13.2	14.7	60.8	63.4	42.5	34.8

Source: Company, PL

S=Standalone / C=Consolidated / Acc=Accumulate

Exhibit 8: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
	C	P	C	P	% Chng.	FY22			FY23			FY22			FY23			FY22			FY23		
						C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Bajaj Electricals	Acc	Acc	1,091	1,091	0.0%	47,704	47,704	0.0%	54,515	54,515	0.0%	1,668	1,668	0.0%	2,813	2,813	0.0%	14.6	14.6	0.0%	24.6	24.6	0.0%
Crompton Greaves Consumer Electricals	BUY	BUY	534	534	0.0%	53,732	53,732	0.0%	73,309	73,309	0.0%	5,935	5,935	0.0%	7,368	7,368	0.0%	9.4	9.4	0.0%	11.6	11.6	0.0%
Havells India	Acc	Acc	1,369	1,369	0.0%	1,38,885	1,38,885	0.0%	1,56,825	1,56,825	0.0%	11,942	11,942	0.0%	13,879	13,879	0.0%	19.1	19.1	0.0%	22.2	22.2	0.0%
KEI Industries	Acc	Acc	1,273	1,273	0.0%	57,265	57,265	0.0%	67,009	67,009	0.0%	3,713	3,713	0.0%	4,592	4,592	0.0%	41.3	41.3	0.0%	51.1	51.1	0.0%
Polycab India	HOLD	HOLD	2,472	2,472	0.0%	1,22,037	1,22,037	0.0%	1,38,995	1,38,995	0.0%	8,365	8,365	0.0%	11,682	11,682	0.0%	56.1	56.1	0.0%	78.3	78.3	0.0%
Voltas	HOLD	HOLD	1,071	1,071	0.0%	79,345	79,345	0.0%	94,489	94,489	0.0%	5,041	5,041	0.0%	7,513	7,513	0.0%	15.2	15.2	0.0%	22.7	22.7	0.0%

Source: Company, PL

C=Current / P=Previous / Acc=Accumulate



Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Electricals	Accumulate	1,091	999
2	Crompton Greaves Consumer Electricals	BUY	534	352
3	Havells India	Accumulate	1,369	1,249
4	KEI Industries	Accumulate	1,273	1,149
5	Polycab India	Hold	2,472	2,430
6	Voltas	Hold	1,071	1,047

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I Mr. Mayank Bhandari- MBA Finance, Mr. Amnish Aggarwal- MBA, CFA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Mayank Bhandari- MBA Finance, Mr. Amnish Aggarwal- MBA, CFA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com