

Capital Goods & Consumer Durables

08 January, 2023

Strong order booking and festive season to drive topline growth; Margin pressures starting to ease

In 3QFY23, we are factoring in strong revenue growth for the Capital Goods companies (+30.3% YoY) under our coverage on the back of robust order booking. In the Consumer Durables segment, we believe that demand collapsed in Nov'22 after a good Oct'22 before recovering again from mid-Dec'22. Consequently, we are building in 17.3% YoY topline growth for coverage Consumer Durables companies. For Consumer Electricals companies, we are building in 10.7% YoY topline growth, backed primary by channel filling of non-rated fans ahead of the impending transition to new BEE norms. We also expect up-stocking of Wires & Cables by dealers and distributors as copper prices have risen by ~18% from July'22 lows. Capital Goods and Consumer Durables companies are expected to show margin improvement as most of the companies are most likely to have exhausted high-cost inventory by mid-3QFY23. Consequently, we predict a sequential improvement in aggregate EBITDA margin (+40bps) for our coverage universe. Recovery in the capex cycle, healthy order inflows and adverse impact on working capital will be keenly monitored for the Capital Goods sector. We are factoring in strong growth for Solar Industries (+50% YoY), which reflects better off-take from Coal India and improved realizations. Triveni Turbine (+35% YoY) will benefit from improved execution post strong order inflows.

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(Rs mn)	(Rs)	Rating	Revenue			EBITDA			EBITDA Margin (%)			PAT		
			3QFY23E	YoY (%)	QoQ (%)	3QFY23E	YoY (%)	QoQ (%)	3QFY23E	2QFY23	3QFY22	3QFY23E	YoY (%)	QoQ (%)
Companies	TP													
Capital Goods														
Apar Industries	1,620	Acc	29,870	34.0	-7.7	1,933	66.9	-14.4	6.5	7.0	5.2	878	59.8	-14.5
KEC International	480	Buy	40,414	21.0	-0.6	2,344	-1.9	31.7	5.8	4.4	7.2	629	-32.8	13.9
Power Mech Projects	2,100	Buy	9,366	45.0	21.4	1,086	60.4	25.5	11.6	11.2	10.5	579	76.0	32.0
Solar Industries India	5,065	Buy	15,268	50.0	-2.5	2,962	66.4	-0.9	19.4	19.1	17.5	1,747	71.1	-1.0
Thermax	2,205	Acc	20,401	26.3	-1.7	1,424	25.9	1.3	7.0	6.8	7.0	997	25.5	-8.6
Triveni Turbine	335	Buy	2,927	30.0	-0.1	574	27.3	3.1	19.6	19.0	20.0	463	29.7	0.1
Consumer Durables														
Amber Enterprises India	2,320	Acc	11,399	17.0	51.9	707	-4.0	92.7	6.2	4.9	7.6	193	-40.0	NA
Blue Star	1,410	Buy	16,117	7.0	2.2	983	8.5	14.9	6.1	5.4	6.0	496	4.2	16.3
Dixon Technologies	4,600	Acc	39,952	30.0	3.3	1,598	55.2	10.1	4.0	3.8	3.4	847	82.6	9.6
IFB Industries	1,125	Buy	11,007	18.0	0.3	737	185.6	6.1	6.7	6.3	2.8	320	NA	32.3
Voltas	1,045	Buy	19,012	6.0	7.5	1,198	-23.0	18.8	6.3	5.7	8.7	907	-5.5	-8.4
Whirlpool of India	1,700	Acc	17,270	12.0	7.2	1,071	28.6	20.4	6.2	5.5	5.4	650	47.1	35.6
Stove Kraft	980	Buy	3,963	33.0	-2.4	438	135.9	-4.9	11.0	11.3	6.2	252	126.4	-2.8
Consumer Electricals														
Bajaj Electricals	1,260	Acc	14,088	8.0	15.4	1,028	25.2	9.6	7.3	7.7	6.3	753	26.6	17.8
Crompton Consumer	500	Buy	17,838	26.5	5.0	2,034	0.9	5.3	11.4	11.4	14.3	1,182	-20.3	-6.1
Havells India	1,475	Buy	40,357	10.5	10.0	3,430	-22.1	19.5	8.5	7.8	12.1	2,271	-25.5	22.1
Orient Electric	325	Buy	7,055	4.0	38.2	494	-25.7	327.2	7.0	2.3	9.8	259	-32.1	NA
Polycab India	2,775	Acc	36,417	8.0	9.3	4,370	20.8	2.2	12.0	12.8	10.7	2,925	18.6	9.2
V-Guard Industries	265	Acc	10,183	6.0	3.8	804	-4.7	13.8	7.9	7.2	8.8	491	-6.5	13.8
Our coverage universe			362,905	18.7	5.2	29,215	14.8	10.6	8.1	7.7	8.3	16,836	10.6	9.8

Source - Nirmal Bang Institutional Equities Research

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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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