

# Consumer Durables

## 1QFY24 Result Preview

July 07, 2023

### Moderate topline growth and tepid margin expansion

#### Key Points

- For our coverage universe, we expect a moderate topline growth of 11.0% YoY with 30bps margin improvement.
- *Consumer Durables*: We expect a moderate topline growth of 11.8% YoY due to lower offtake of RACs, Fans and Air Coolers. Unseasonal rains and lingering inflationary pressures are expected to affect demand.
- *Consumer Electricals*: We expect a moderate topline growth of 10.1% YoY. Healthy growth in Cables & Wires is expected to be offset by tepid growth in Consumer Lighting and other B2C electrical products.
- *Margins*: Consumer Durables/Consumer Electricals is expected to post 20bps YoY/30bps YoY margin expansion. While the Consumer Durables portfolio is expected to witness operating de-leverage, the same will be offset by easing RM costs, benefit of backward integration and higher contribution from premium products.

#### Unseasonal rains to impact RAC portfolio; Operating de-leverage to impact margins:

Our channel checks imply a muted 1QFY24 for RACs as well as Home Appliances (Air Coolers, Fans etc) due to erratic weather conditions (mainly unseasonal rains). As a result, pending price hike is not expected to materialize in 1QFY24. Lower topline growth is expected to hurt margins mainly on account of operating de-leverage.

#### PLI ramp-up to boost volume in 1QFY24:

A couple of our coverage companies have started manufacturing goods under the PLI scheme. As a result, these revenues are expected to be visible in 1QFY24 numbers and thereby boost topline growth on YoY basis.

#### Strong revival in public and private capex to increase demand for Cables & Wires, Switches and Switchgears:

Significant boost in government capex allowance in FY24 Union Budget as well as pick-up in domestic Real Estate sector is expected to boost demand for ancillaries such as Cables, Wires, Lighting, Switches, Switchgears, etc.

#### Backward Integration + Premiumisation = Improved Margins

Higher backward integration (on the back of PLI schemes) + expansion in premium product portfolio are expected to enhance operating margins. Benefits from falling commodity prices are expected to be offset by sharper depreciation in INR/USD.

NBIE Values your patronage- Vote for The Team in the Asia Money poll 2023. [Click here](#)

Company	TP (Rs)	Rating
Amber Enterprises India	2,340	Acc
Blue Star	1,540	Acc
Dixon Technologies	3,635	Acc
IFB Industries	925	Buy
Voltas	820	Acc
Whirlpool of India	1,375	Acc
Stove Kraft	535	Buy
Bajaj Electricals	1,220	Acc
Crompton Consumer	290	Acc
Havells India	1,265	Acc
Orient Electric	235	Acc
Polycab India	3,415	Acc
V-Guard Industries	245	Acc

Please refer to the disclaimer towards the end of the document.

Company	Sales			EBITDA			EBITDA margin (%)			PAT		
	1QFY24E	YoY(%)	QoQ(%)	1QFY24E	YoY(%)	QoQ(%)	1QFY24E	4QFY23	1QFY23	1QFY24E	YoY(%)	QoQ(%)
Amber Enterprises	20,991	15.0	(30.1)	1,133	14.2	(44.3)	5.4	6.8	5.4	306	(27.3)	(70.6)
Blue Star	21,415	8.7	(18.4)	1,462	18.5	(18.4)	6.8	6.8	6.3	785	5.7	(8.8)
Dixon Technologies	34,546	21.0	12.7	1,209	20.8	(22.6)	3.5	5.1	3.5	516	12.9	(36.0)
IFB Industries	11,598	11.0	17.7	407	20.0	44.1	3.5	2.9	3.2	36	81.2	(147.8)
Voltas	29,969	8.3	1.4	2,256	27.5	3.4	7.5	7.4	6.4	1,428	31.2	(0.8)
Whirlpool of India	21,851	5.0	30.6	1,333	1.2	26.2	6.1	6.3	6.3	826	(1.4)	29.6
Stove Kraft	2,930	6.5	5.4	240	11.4	307.6	8.2	2.1	7.8	66	(18.0)	(209.9)
<b>Consumer Durables</b>	<b>1,43,300</b>	<b>11.8</b>	<b>(1.7)</b>	<b>8,041</b>	<b>17.0</b>	<b>(10.4)</b>	<b>5.6</b>	<b>6.1</b>	<b>5.4</b>	<b>3,962</b>	<b>8.7</b>	<b>(14.7)</b>
Bajaj Electricals	13,019	6.4	(12.6)	817	9.7	(7.9)	6.3	6.0	6.1	470	5.6	(19.9)
Crompton Consumer	19,495	4.6	8.9	1,934	(12.1)	(8.5)	9.9	11.8	11.8	1,261	(1.1)	(3.9)
Havells India	46,998	11.1	(3.1)	4,296	18.9	(19.1)	9.1	10.9	8.5	2,870	18.4	(20.7)
Orient Electric	6,597	6.1	0.3	362	(5.2)	(22.0)	5.5	7.0	6.1	143	(24.3)	(41.8)
Polycab India	30,887	12.9	(28.6)	3,812	22.5	(37.5)	12.3	14.1	11.4	2,517	14.5	(40.7)
V-Guard Industries	11,655	15.4	2.2	1,099	34.3	11.4	9.4	8.7	8.1	623	15.3	18.1
<b>Consumer Electricals</b>	<b>1,28,651</b>	<b>10.1</b>	<b>(9.7)</b>	<b>12,320</b>	<b>13.3</b>	<b>(22.3)</b>	<b>9.6</b>	<b>11.1</b>	<b>9.3</b>	<b>7,883</b>	<b>11.5</b>	<b>(25.2)</b>
<b>Our coverage universe</b>	<b>2,71,950</b>	<b>11.0</b>	<b>(5.7)</b>	<b>20,361</b>	<b>14.8</b>	<b>(18.0)</b>	<b>7.5</b>	<b>8.6</b>	<b>7.2</b>	<b>11,846</b>	<b>10.5</b>	<b>(22.0)</b>

Company	1QFY24E Revenue (YoY)	1QFY24E EBITDA Margin (YoY)	Reasoning
Amber Enterprises	↑	↔	<p>&gt; Unseasonal rains to impact RAC and Components portfolio (73% of FY23 topline); remaining portfolio (Motors, Electronics and Mobility) to post healthy growth on the back of rising exports of Motors, increased deployment of HVAC solutions in buses, trains, etc. and rising demand for Smart Hearables &amp; Wearables products</p> <p>&gt; Despite high margin contribution from Components and Motors, sub-assembly business to drag margin downward; lower topline in RAC to bring in operating de-leverage</p>
Blue Star	↑	↑	<p>&gt; Unseasonal rains to affect Unitary Products (UP) portfolio (45% of FY23 topline), but healthy order book and timely execution in the EMPS business to offset decline in the UP portfolio</p> <p>&gt; Despite operating de-leverage in UP portfolio, backward integration + stable margins in the EMPS business to expand margin moderately</p>
Dixon Technologies	↑	↔	<p>&gt; PLI ramp-up in Lighting and Mobile revenue to boost topline growth</p> <p>&gt; Despite increasing trend for ODM, recently on-boarded higher margin businesses to contribute from H2FY24 + higher margin FATL segment to pick up in 2QFY24</p>
IFB Industries	↑	↑	<p>&gt; Growth to come from Washing Machine (WM) segment; Unseasonal rains to impact RAC growth</p> <p>&gt; WM + Fine Blanking business to counter falling margins from the RAC portfolio</p>
Voltas	↑	↑	<p>&gt; Unseasonal rains to affect UCP portfolio (69% of FY23 topline); EPS business to support topline growth</p> <p>&gt; Despite operating de-leverage in the RAC portfolio, healthy execution of orders in the EPS business to support margins</p>

Company	1QFY24E Revenue (YoY)	1QFY24E EBITDA Margin (YoY)	Reasoning
Whirlpool of India	↑	↓	<ul style="list-style-type: none"> <li>&gt; Inflationary pressures to keep demand tepid; product quality issues are expected to impact market share</li> <li>&gt; Operating de-leverage to impact margins</li> </ul>
Stove Kraft	↑	↑	<ul style="list-style-type: none"> <li>&gt; Inflationary pressures to keep demand tepid</li> <li>&gt; Premiumisation will enhance margins</li> </ul>
Bajaj Electricals	↑	↑	<ul style="list-style-type: none"> <li>&gt; Unseasonal rains + inflationary pressures to impact Consumer Products (CP) portfolio (69% of FY23 topline); Professional Lighting within the overall Lighting segment (21% of FY23 topline) + EPS business to sustain volume growth</li> <li>&gt; Professional Lighting to help sustain margins despite an operating de-leverage in the CP portfolio</li> </ul>
Crompton Consumer	↑	↓	<ul style="list-style-type: none"> <li>&gt; Unseasonal rains (negative impact on Fans + Home Appliances) + inflationary pressures (tepid growth in Kitchen Appliances + Pumps) to impact Consumer Durables portfolio (69% of FY23 topline); Professional Lighting to support topline growth</li> <li>&gt; Operating de-leverage in Fans and Home Appliances to impact margins</li> </ul>
Havells India	↑	↑	<ul style="list-style-type: none"> <li>&gt; Cables, Switchgears and Lighting to boost topline growth and help offset tepid growth in Lloyd portfolio (20% of FY23 topline; within Lloyd, 75% is RAC portfolio). Unseasonal rains to impact RAC demand in Lloyd portfolio</li> <li>&gt; Operating leverage benefits + premiumisation to enhance margins</li> </ul>
Orient Electric	↑	↓	<ul style="list-style-type: none"> <li>&gt; Professional Lighting and Switchgears segments to support topline growth despite tepid growth in Consumer Durables portfolio (69% of FY23 topline) on account of unseasonal rains</li> <li>&gt; Operating de-leverage in Fans and Home Appliances to impact margins</li> </ul>
Polycab India	↑	↑	<ul style="list-style-type: none"> <li>&gt; Boost in public and private capex to increase demand for Cables &amp; Wires portfolio (88% of FY23 topline)</li> <li>&gt; Operating leverage benefits + backward integration + premiumisation to enhance margins</li> </ul>
V-Guard Industries	↑	↑	<ul style="list-style-type: none"> <li>&gt; Incorporation of Sunflame Kitchen Appliance segment to boost topline. Ex-Sunflame, revenue growth is estimated at 7.2% YoY on the back of rising demand for Switchgears and Cables &amp; Wires</li> <li>&gt; Sunflame segment (a high-margin business) + contribution from Switchgears and Cables segments to enhance margins</li> </ul>

## DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

**Analyst Certification:** I, Natasha Jain, research analyst and Prasheel Gandhi, research associate, the author of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

## Disclaimer

### Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website [www.nirmalbang.com](http://www.nirmalbang.com)

Access all our reports on Bloomberg, Thomson Reuters and Factset.

Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,  
 Nr. Peninsula Corporate Park,  
 Lower Parel (W), Mumbai-400013.  
 Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010