

Jul-Sep'23 Earnings Preview

October 7, 2023

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Bajaj Electricals	BUY	1,056	1,421
Crompton Greaves Cons. Elec.	BUY	301	401
Havells India	Acc	1,399	1,538
KEI Industries	BUY	2,726	2,908
Polycab India	Acc	5,259	5,665
R R Kabel	BUY	1,503	1,624
Voltas	HOLD	885	909

Source: PL Acc=Accumulate

Top Picks

RR Kabel

Havells India

Compton Greaves Consumer

Dry monsoon help seasonally weak quarter

Quick Pointers:

- Dry monsoon in Aug-23, benefit seasonal product sales.
- Strong volume growth in C&W segment in quarter, KEI/Polycab/RRKABL expected to outperform our coverage over sales.

Seasonally weak quarter for sector, sluggish consumer demand and inflationary pressures continue to impact revenue & profitability. Cable & Wire segment continue its outperformance in quarter over other segments with healthy growth, largely from B2B segment. Being weak season for RAC/Fans, the sector is not expecting major improvement in volume in Q2FY24. However, there has been recent improvement in secondary sales of seasonal products, driven by dry monsoon season, resulting in channel inventory levels returning to normal. We expect our consumer durable universe to register a sales/EBITDA/PAT growth of 11.5%/17.1%/18.7% YoY in 2QFY24, excluding RR Kabel. On sales front RR Kabel, KEI Ind & Polycab to outperform, while Crompton Consumer & Bajaj Electricals to underperform. On profitability C&W companies and Havells are expected to outperform.

We prefer C&W companies, with robust growth & return profile, controlled working capital and continuously expanding opportunity market, continue our top pick as RR Kabel. Our second pick in sector is Havells, which expected to report healthy recovery in Q2FY24 even after weak season for its seasonal products. Our contra pick continues to be Crompton Consumer, the company has taken corrective measures towards growth like 1) restructured the business in five verticals, 2) hired/appointed second level management team, 3) addressed the frontend sales team attrition, and 4) increased focus on A&P and R&D for driving growth. Although the strategy might impact FY24 financials, we expect better growth from FY25 onwards.

- **Cable & Wire – healthy traction continues:** KEI/Polycab/RR Kabel are poised to capitalize on volume growth, primarily in the B2B sector, and traction in the real estate industry. Despite some disruption caused by early quarter rains, stable commodity prices have allowed for consistent volume growth in their business. It is expected that KEI/Polycab/RR Kabel will achieve a volume growth of around 15-20%, outperforming our coverage in terms of sales growth. However, stretched valuation keeps limited upside potential for the stocks.
- **FMEG (ECD and lighting) segment seasonally weak quarter:** The seasonally weak quarter for seasonal product in ECD segment, while dry monsoon helped secondary sales in Q2FY24, resulting in channel inventory levels returning to normal. Demand within ECD segment (primarily catering to B2C) continues to face challenges due to sluggish consumer demand, inflationary pressures and offseason for fans. The lighting segment continue to face challenges in B2C segment while B2B/B2G continues to see strong traction. Havells with its distribution expansion, increase in product portfolio and channel supports, expected to outperform (est. 6% YoY growth vs coverage universe of 4.6% YoY in FMEG segment).

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- **RAC segment - weak demand sentiment:** Being weak season for RAC, the sector is not expecting major improvement in volume in Q2FY24. However, due to dry monsoon in some parts of India, improvement in secondary sales has normalized the channel inventory. Voltas/Lloyd expected 12%/23% growth in UCP revenue in Q2FY24.
- **Key changes in target price:** In our coverage universe, we have roll forward to Sept-25, upward revised our target price for Bajaj Electricals, Crompton, Polycab, RR Kabel and Voltas. **We maintain our rating on coverage companies except Bajaj Electricals, upgrade to BUY from Accumulate.**

Exhibit 2: Q2FY24 Result Preview

Company Name		Q2FY24E	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	Remark
Bajaj Electricals	Sales	12,157	12,204	(0.4)	11,120	9.3	We expect sales to grow by 9.3% QoQ despite weak demand & Fan segment continue slowdown. Consumer Products to grow by 6.2% YoY, with appliance to grow by 7% YoY. Lighting expected ~3% YoY growth. We expect margin of 7.3% (+110bps QoQ). Profitability expected to grow ~36% QoQ.
	EBITDA	887	938	(5.4)	693	28.0	
	Margin (%)	7.3	7.7		6.2		
	PBT	781	862	(9.3)	588	32.9	
	Adj. PAT	585	639	(8.5)	430	35.9	
Crompton Greaves Consumer Electricals	Sales	17,488	16,995	2.9	18,769	(6.8)	We expect sales to grow by 2.9% YoY with ECD segment revenues expected growth of 7.4%. The weak demand scenario and seasonally weak quarter for Fan along with competitive pricing by the company, impacted its revenue. Butterfly segment revenues are expected to fall by 3% YoY. EBITDA margin to contract by 140bps YoY mainly with lower GM due to competitive pricing and RM inflation. PAT is expected to see a de-growth of 12.3% YoY.
	EBITDA	1,749	1,931	(9.4)	1,069	63.5	
	Margin (%)	10.0	11.4		5.7		
	PBT	1,474	1,533	(3.8)	770	91.5	
	Adj. PAT	1,103	1,258	(12.3)	395	179.2	
Havells India	Sales	41,960	36,795	14.0	48,338	(13.2)	Revenue expected to grow at 14.0% YoY with C&W/ECD/Lighting/Lloyd businesses to grow at 20%/10%/-3.5%/23% despite on weak demand scenario. RAC sector benefited with dry Aug-23 & Lloyd benefit with commissioning of south plant, while competitive pricing continue in quarter. EBITDA margin expected at 9.1%, with the restricted GM due to price competition. PAT is expected to grow by 38.8% YoY, on lower base.
	EBITDA	3,818	2,869	33.1	4,020	(5.0)	
	Margin (%)	9.1	7.8		8.3		
	PBT	3,469	2,517	37.8	3,821	(9.2)	
	Adj. PAT	2,596	1,870	38.8	2,871	(9.6)	
KEI Industries	Sales	18,339	16,081	14.0	17,826	2.9	We expect revenues to grow by 14.0% YoY with C&W segment growing by 14.3% mainly with strong demand in institutional cable business and improvement in utilisation. The EPC segment is expected to register a growth of 10% YoY. EBITDA margin expected at 10.6% YoY, improved by +60bps mainly with favourable product mix and cost control.
	EBITDA	1,944	1,606	21.1	1,783	9.0	
	Margin (%)	10.6	10.0		10.0		
	PBT	1,752	1,438	21.9	1,630	7.5	
	Adj. PAT	1,311	1,069	22.6	1,214	8.0	
Polycab India	Sales	38,019	33,323	14.1	38,894	(2.2)	We expect sales to grow by 14.1% YoY with Wires & Cables growing by 15% mainly with strong volume growth in B2B business. FMEG expected growth of 4% impacted due to Fan segment. We expect margins to improve with (+80bps YoY) with commodity price changes and cost control. PAT to grow by 33.8% YoY, with increase in other income.
	EBITDA	5,171	4,276	20.9	5,486	(5.7)	
	Margin (%)	13.6	12.8		14.1		
	PBT	4,834	3,592	34.6	5,305	(8.9)	
	Adj. PAT	3,584	2,677	33.8	3,993	(10.2)	
R R Kabel	Sales	16,638	NA	NA	15,973	4.2	We expect revenues to grow by 4.2% QoQ with C&W segment growing by 4% QoQ mainly with strong demand domestic business and market share gain in retail. FMEG business expected to de-grow by 1% with slowdown in Fan business. EBITDA margin to improve sequentially at 7.4% YoY, mainly with favourable product mix and cost control.
	EBITDA	1,236	NA	NA	1,129	9.5	
	Margin (%)	7.4	NA		7.1		
	PBT	951	NA	NA	987	(3.7)	
	Adj. PAT	699	NA	NA	743	(5.9)	
Voltas	Sales	20,278	17,684	14.7	33,599	(39.6)	RAC industry, mainly secondary sales, has been benefited by dry Aug-23 in seasonal weak quarter and increased competition continue in Q2FY24, resulting in lower sales volumes for Voltas. UCP is expected to report revenue growth of 12.0% YoY. The volume growth expected good considering weak quarter. Bekp continue to report loss. EMPS segment expected 25% YoY growth with positive margin. Consolidated revenues to grow by 15.7% YoY with EBITDA margin at 6.0% (+20bps YoY). PAT is expected to de-grow by 7.3%.
	EBITDA	1,217	1,008	20.7	1,854	(34.4)	
	Margin (%)	6.0	5.7		5.5		
	PBT	1,578	1,488	6.1	2,340	(32.6)	
	Adj. PAT	3,584	2,677	33.8	3,993	(10.2)	

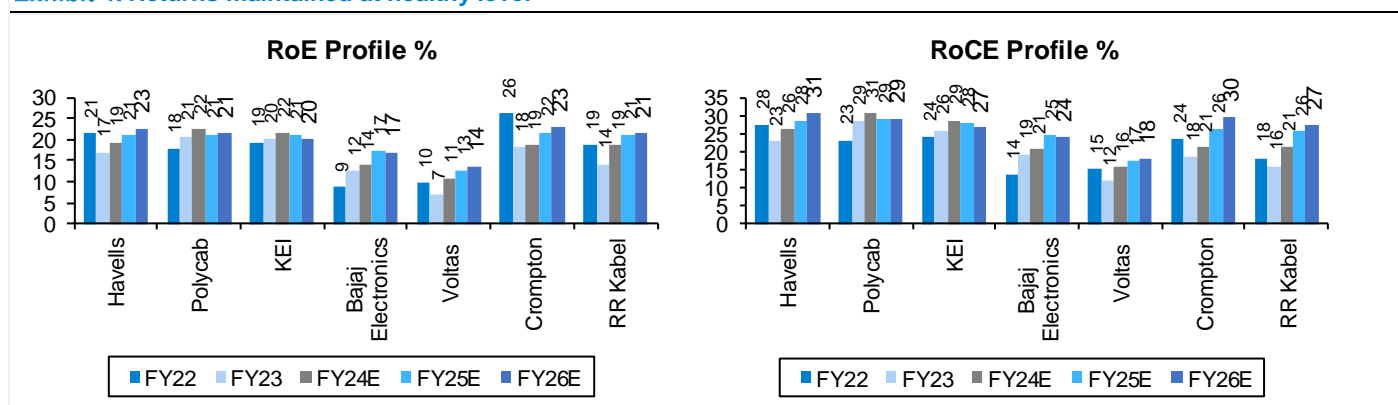
Source: Company, PL

Exhibit 3: Category wise growth across our coverage – Healthy growth expected Cable & Wire segment

	FY18	FY19	FY20	FY21	FY22	FY23	5 yr CAGR	FY24E	FY25E	FY26E
Cables & wires (Rs Bn)										
Havells	26.8	32.3	29.9	31.8	46.5	55.3	15.6%	65.7	76.8	88.4
Polycab	62.4	69.3	75.2	75.8	107.0	125.4	15.0%	154.9	178.9	208.7
KEI Industries	28.1	35.0	41.2	37.2	53.5	65.1	18.3%	77.8	91.3	105.0
RR Kabel	19.8	22.6	22.5	25.2	41.1	49.6	20.2%	61.0	77.5	90.7
Cables & Wires margin %										
Havells	16.3	16.1	16.3	16.3	14.6	16.0		16.0	16.0	16.0
Polycab	10.3	12.1	12.3	12.0	9.7	13.1		12.0	12.0	12.9
KEI Industries	10.8	10.7	10.9	11.2	9.3	9.1		10.9	11.4	11.4
RR Kabel	10.7	7.5	8.9	9.0	7.8	7.1		8.0	8.6	8.9
FMEG (Rs bn) (ECD & Lighting)										
Polycab	4.9	6.4	8.4	10.3	12.5	12.6	21.0%	14.4	16.7	19.7
Bajaj Electricals	22.3	27.4	30.8	33.0	43.7	48.8	17.0%	54.9	62.9	71.3
Havells	42.5	53.3	52.1	55.6	77.2	88.3	15.7%	101.1	115.8	131.3
Crompton	41.1	44.8	45.1	48.0	53.9	58.1	7.2%	62.6	73.1	
RR Kabel	-	1.5	1.9	2.0	2.7	6.5	NA	6.9	7.4	7.9
FMEG margin %										
Polycab	1.8	1.2	2.0	5.5	1.6	(0.4)		3.5	5.5	7.0
Bajaj Electricals	4.9	6.6	6.8	9.8	7.5	6.5		6.7	8.2	8.3
Havells	27.6	27.1	27.5	27.1	25.7	27.7		27.6	27.6	27.6
Crompton	16.6	16.1	16.4	17.8	17.7	18.4		18.6	18.7	18.8
RR Kabel	#DIV/0!	(3.9)	(9.2)	(14.7)	(10.9)	(10.7)		(6.4)	(4.7)	(3.1)
EPC (Rs bn)										
KEI Industries	9.6	10.3	14.0	9.8	8.7	7.1	-5.9%	10.4	11.5	12.6
EPC margin %										
KEI Industries	10.9	13.8	11.7	9.3	9.4	9.5		8.5	8.5	8.5

Source: Company, PL

Exhibit 4: Returns maintained at healthy level



Source: Company, PL

Exhibit 5: FCF improvement visible across companies

		Net Profit	CF before WC chng.	Less: Chng. in WC	OCF	Less: Capex	FCF	OCF/PAT (%)	FCF/PAT (%)
Havells	FY22	11,965	18,186	3,243	17,280	(2,528)	14,752	144.4%	123.3%
	FY23	10,717	17,265	(8,967)	4,545	(6,022)	(1,477)	42.4%	-13.8%
	FY24E	13,935	21,428	(2,233)	14,438	(5,070)	9,368	103.6%	67.2%
	FY25E	17,522	27,390	(1,727)	19,682	(2,800)	16,882	112.3%	96.3%
	FY26E	22,218	34,020	(1,002)	25,433	(2,900)	22,533	114.5%	101.4%
Polycab	FY22	9,120	13,430	(4,974)	5,116	5,330	10,446	56.1%	114.5%
	FY23	12,700	19,557	(515)	14,792	(4,763)	10,029	116.5%	79.0%
	FY24E	16,510	24,526	(5,675)	13,360	(5,545)	7,816	80.9%	47.3%
	FY25E	18,974	27,904	(4,710)	16,808	(5,309)	11,499	88.6%	60.6%
	FY26E	22,857	33,290	(5,305)	20,223	(5,383)	14,841	88.5%	64.9%
KEI Industries	FY22	3,761	6,088	(2,555)	2,286	(596)	1,690	60.8%	44.9%
	FY23	4,766	6,996	(439)	4,911	(915)	3,995	103.0%	83.8%
	FY24E	6,205	9,012	(3,087)	3,788	(3,336)	452	61.0%	7.3%
	FY25E	7,398	10,795	(5,947)	2,300	(1,828)	472	31.1%	6.4%
	FY26E	8,495	12,302	(3,604)	5,772	(1,325)	4,447	67.9%	52.3%
Bajaj Electricals	FY22	1,368	9,611	190	9,358	(49)	9,309	684.1%	680.5%
	FY23	2,296	5,335	739	5,201	206	5,408	226.5%	235.5%
	FY24E	2,896	4,976	1,331	5,300	(319)	4,981	183.0%	172.0%
	FY25E	4,107	6,728	(1,204)	4,096	(786)	3,310	99.7%	80.6%
	FY26E	4,675	7,474	(1,177)	4,722	(757)	3,965	101.0%	84.8%
Voltas	FY22	5,041	8,449	(438)	5,842	(469)	5,373	115.9%	106.6%
	FY23	1,350	2,031	31	352	(2,196)	(1,844)	26.1%	-136.5%
	FY24E	6,062	10,572	965	9,182	(1,874)	7,308	151.5%	120.5%
	FY25E	7,832	11,889	(2,172)	6,876	(3,216)	3,659	87.8%	46.7%
	FY26E	9,435	13,864	(2,934)	7,614	(1,801)	5,814	80.7%	61.6%
Crompton	FY22	5,862	8,034	1,028	7,359	(1,712)	5,648	125.6%	96.4%
	FY23	4,632	7,896	3,614	10,153	(1,059)	9,094	219.2%	196.3%
	FY24E	5,248	8,840	(887)	6,185	748	6,932	117.8%	132.1%
	FY25E	6,849	10,816	(2,606)	5,903	(476)	5,427	86.2%	79.2%
	FY26E	8,070	12,060	(816)	8,525	(620)	7,905	105.6%	98.0%
RR Kabel	FY22	2,140	3,129	(1,649)	775	(809)	(34)	36.2%	-1.6%
	FY23	1,899	3,072	819	3,230	(1,790)	1,440	170.1%	75.9%
	FY24E	3,100	4,870	(2,603)	1,224	(2,875)	(1,651)	39.5%	-53.2%
	FY25E	4,534	6,902	(3,131)	2,246	(2,202)	44	49.5%	1.0%
	FY26E	5,699	8,568	(2,528)	4,124	(2,208)	1,915	72.4%	33.6%

Source: Company, PL



Exhibit 6: Efficient working capital management, robust business model

Days		Havells	Polycab	KEI	Bajaj Electricals	Voltas	Crompton	RR Kabel
Inventory	FY22	78	65	69	74	76	49	59
	FY23	80	76	58	79	61	40	56
	FY24E	75	85	60	68	50	40	57
	FY25E	75	85	65	68	50	40	57
	FY26E	75	85	65	68	50	40	57
Debtor	FY22	20	39	89	74	97	42	43
	FY23	21	32	73	79	84	36	39
	FY24E	18	26	75	68	85	34	37
	FY25E	17	26	80	68	85	34	37
	FY26E	15	26	80	68	85	34	37
Payable	FY22	62	47	49	93	135	69	14
	FY23	57	71	40	117	116	56	29
	FY24E	47	64	46	62	114	54	24
	FY25E	47	64	46	61	113	54	24
	FY26E	46	64	46	61	113	54	24
Cash Cycle	FY22	35	57	109	55	38	22	88
	FY23	44	38	92	40	30	20	66
	FY24E	46	47	89	74	21	20	70
	FY25E	45	47	99	76	22	20	70
	FY26E	44	47	99	76	22	20	70

Source: Company, 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)			
						FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Bajaj Electricals	S	BUY	1,056	1,421	121.5	47.9	48.8	54.9	62.9	2.5	3.7	4.3	5.9	1.5	2.3	2.9	4.1	13.1	19.9	25.2	35.7	9.0	12.4	13.9	17.2	80.8	52.9	42.0	29.6
Crompton Greaves Consumer Electricals	C	BUY	301	401	191.4	53.9	68.7	74.4	86.1	7.5	7.7	8.2	10.0	5.7	4.6	5.2	6.8	9.0	7.3	8.0	10.4	26.1	18.1	18.6	21.8	33.3	41.3	37.6	28.8
Havells India	C	Acc	1,399	1,538	876.8	139.4	169.1	193.8	222.4	17.6	16.0	20.1	24.7	12.0	10.7	13.9	17.5	19.1	17.1	22.2	28.0	21.4	17.0	19.4	20.9	73.3	81.8	62.9	50.0
KEI Industries	C	BUY	2,726	2,908	245.8	57.3	69.1	82.4	96.2	5.9	7.1	9.1	10.8	3.8	4.8	6.2	7.4	41.9	52.8	68.8	82.0	19.2	20.2	21.6	21.2	65.1	51.6	39.6	33.2
Polycab India	C	Acc	5,259	5,665	787.7	122.8	141.1	173.7	200.8	13.4	18.5	23.4	27.0	9.1	12.7	16.5	19.0	61.0	84.8	110.2	126.7	17.7	20.9	22.4	21.3	86.2	62.0	47.7	41.5
R R Kabel	C	BUY	1,503	1,624	143.8	43.9	56.0	67.9	84.9	3.0	3.2	4.9	7.0	2.1	1.9	3.1	4.5	44.7	19.8	27.5	40.2	18.6	14.2	18.6	21.1	33.6	75.7	54.7	37.4
Voltas	C	HOLD	885	909	292.8	79.3	95.0	109.2	123.9	6.8	5.7	7.9	9.7	5.0	3.8	6.1	7.8	15.2	11.5	18.3	23.7	9.6	6.9	10.7	12.6	58.1	77.3	48.3	37.4

Source: Company, PL

S=Standalone / C=Consolidated / Acc=Accumulate

Exhibit 8: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Bajaj Electricals	BUY	Acc	1,421	1,337	6.2%	54,928	54,928	0.0%	62,921	62,921	0.0%	2,896	2,896	0.0%	4,107	4,107	0.0%	25.2	25.2	0.0%	35.7	35.7	0.0%
Crompton Greaves Consumer Electricals	BUY	BUY	401	369	8.9%	74,407	74,407	0.0%	86,129	86,129	0.0%	5,248	5,248	0.0%	6,849	6,849	0.0%	8.0	8.0	0.0%	10.4	10.4	0.0%
Havells India	Acc	Acc	1,538	1,538	0.0%	1,93,849	1,93,849	0.0%	2,22,409	2,22,409	0.0%	13,935	13,935	0.0%	17,522	17,522	0.0%	22.2	22.2	0.0%	28.0	28.0	0.0%
KEI Industries	BUY	BUY	2,908	2,908	0.0%	82,380	82,380	0.0%	96,240	96,240	0.0%	6,205	6,205	0.0%	7,398	7,398	0.0%	68.8	68.8	0.0%	82.0	82.0	0.0%
Polycab India	Acc	Acc	5,665	4,760	19.0%	1,73,732	1,73,732	0.0%	2,00,789	2,00,789	0.0%	16,510	16,510	0.0%	18,974	18,974	0.0%	110.2	110.2	0.0%	126.7	126.7	0.0%
R R Kabel	BUY	BUY	1,624	1,407	15.4%	67,903	67,903	0.0%	84,886	84,886	0.0%	3,100	3,100	0.0%	4,534	4,534	0.0%	27.5	27.5	0.0%	40.2	40.2	0.0%
Voltas	HOLD	HOLD	909	831	9.4%	1,09,176	1,09,176	0.0%	1,23,937	1,23,937	0.0%	6,062	6,062	0.0%	7,832	7,832	0.0%	18.3	18.3	0.0%	23.7	23.7	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	Astral Ltd.	Hold	1,955	1,974
2	Bajaj Electricals	Accumulate	1,337	1,220
3	Century Plyboard (I)	BUY	800	629
4	Cera Sanitaryware	Hold	8,224	7,917
5	Crompton Greaves Consumer Electricals	BUY	369	309
6	Finolex Industries	Accumulate	197	184
7	Greenpanel Industries	BUY	459	341
8	Havells India	Accumulate	1,538	1,404
9	Kajaria Ceramics	Hold	1,363	1,393
10	KEI Industries	BUY	2,908	2,480
11	Polycab India	Accumulate	4,760	4,309
12	R R Kabel	BUY	1,407	1,035
13	Supreme Industries	Hold	3,377	3,382
14	Voltas	Hold	831	829

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

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(Indian Clients)

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