

Oct-Dec'23 Earnings Preview

January 9, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Bajaj Electricals	HOLD	1,026	1,047
Crompton Greaves Cons. Elec.	BUY	313	397
Havells India	Acc	1,376	1,538
KEI Industries	HOLD	3,314	3,234
Polycab India	Acc	5,344	6,021
R R Kabel	BUY	1,566	1,872
Voltas	HOLD	990	1,003

Source: PL Acc=Accumulate

Top Picks

RR Kabel

Havells India

Compton Greaves Consumer

Moderate festival demand, soft performance

Quick Pointers:

- Moderate seasonal demand & higher base resulted in soft growth.
- C&W segment expected to outperform our coverage over sales.

Q3FY24 stands impacted from moderate festive demand and higher base of previous year due to restocking. Cable & Wires segment will continue to outperform over other segments, while growth in wires vertical is sluggish. Being weak season for RAC/Fans, the sector is expecting moderate growth in volume and impact of high base is also visible. However, as per our channel check normal to low inventory levels in channel is expected to drive growth in the upcoming seasonally strong quarters. We expect our consumer durables universe to register sales/EBITDA/PAT growth of 10.5%/11.6%/14.9% YoY in 3QFY24. We also expect Crompton, KEI, Polycab & Voltas to outperform and Bajaj Electricals to underperformance in sales. However, on profitability Crompton and Voltas to outperform in Q3FY24.

We prefer C&W companies with robust growth & return profile, controlled working capital and continuously expanding opportunity market; RR Kabel continues to be our top pick. Our second pick in sector is Havells, which is expected to report healthy recovery in coming quarters. Our contra pick continues to be Crompton Consumer. The company has taken corrective measures towards growth in H1FY24, which we believe will continue.

- **Cable & Wire- Healthy traction continues:** Cable B2B business will continue benefitting from industrial volume growth and traction in real estate sector. With less fluctuation in commodity prices healthy volume traction in business will continue, while wire segment stands impacted. KEI/Polycab/RR Kabel to report revenue growth of ~12.2%/11.1%/10.0% in C&W segment. However, stretched valuation keeps limited upside potential for the stocks.
- **Moderate growth in festival season for FMEG (ECD & lighting) segment:** ECD segment (primarily catering to B2C) continues to face challenges due to 1) sluggish consumer demand, 2) inflationary pressures and 4) off-season for fans & increase in competitive pricing. Lighting segment continues to face challenges in B2C segment, while B2B/B2G continues to see strong traction. We expect Crompton to outperform given its competitive pricing, increase in product SKUs and focus on BLDC portfolio.
- **RAC segment- Seasonally weak quarter:** Being weak season for RAC, the sector is not expecting major improvement in volume in Q3FY24. However, with capacity expansion by Lloyd and lower channel inventory we expect primary sales improvement. Voltas/Lloyd to grow by 12%/23% in UCP revenue.
- **Key changes in Ratings/TP:** For our coverage universe, we roll forward to FY26 earnings and upward revise our target price for all coverage companies expect RR Kabel and Havells (refer to exhibit 12). We also maintain our ratings for coverage companies except KEI Industries, downgrade to 'Hold' from Buy with revised TP of Rs 3,234 (earlier Rs 2,908).

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Channel Check

We connected with 18 Electronics dealers across India and visited 10 electronics retailers (MBO & EBO) to assess market demand and pricing. Our findings indicate:

- **Strong double-digit YoY growth in the demand** for Refrigerators, Washing Machines and TVs during the festival season (last 15-20 days of Deepawali).
- **Demand for Air Conditioners**, however, was moderate in comparison due to weak season. Due to fierce competition, brands have not yet taken any price hike. Nevertheless, at the retail level, offers and discounts are prevalent as a strategy to secure larger share of the market.
- **Volumes picked up in Refrigerator and TV segment** and no major change was seen in financing terms post changes in policy by RBI and inventory is maintained at normal levels.

We also visited Lohar Chawl to meet electrical dealers. The channel indicates

- **Intense competition in the fan segment** resulting in competitive pricing. Atomberg (leader in BLDC fans) has taken price correction as per channels, while Crompton currently offers the most competitive pricing.
- **Wire prices have decreased by 2-3%**, whereas switch prices remained relatively stable.
- **Fan sales maintained a moderate pace during the festival season**, while there was healthy demand for wires and switches, fueled by optimistic sentiments in the real estate sector.

Exhibit 2: Q3FY24 Result Preview

Company Name		Q3FY24E	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	Remark
Bajaj Electricals	Sales	13,742	14,831	(7.3)	11,128	23.5	We expect sales to decline by 7.3% YoY which is not comparable. Sales, ex-EPC revenue, expected to grow by 5.1% YoY. Consumer Products to grow by 5.6% YoY, with appliance to grow by 7% YoY. Lighting expected ~3% YoY growth. We expect margin of 7.0% (+180bps QoQ). Profitability expected to grow ~45.7% QoQ.
	EBITDA	962	1,005	(4.3)	581	65.7	
	Margin (%)	7.0	6.8	22 bps	5.2	178 bps	
	PBT	737	854	(13.7)	505	46.0	
	Adj. PAT	551	635	(13.1)	378	45.7	
Crompton Greaves Consumer Electricals	Sales	17,310	15,162	14.2	17,823	(2.9)	We expect sales to grow by 14.2% YoY with ECD segment revenues expected growth of 13.0% with focus on market share gain & growth. Butterfly segment revenues are expected to rise by 24% YoY with shift in festival demand from Q2 to Q3. EBITDA margin to contract by 60bps YoY mainly with lower GM due to competitive pricing and higher adv/promotion expenses. PAT is expected to grow by 20.6% YoY.
	EBITDA	1,644	1,524	7.9	1,745	(5.8)	
	Margin (%)	9.5	10.1	-55 bps	9.8	-29 bps	
	PBT	1,374	1,146	19.9	1,358	1.2	
	Adj. PAT	1,028	853	20.6	972	5.8	
Havells India	Sales	45,249	41,276	9.6	39,003	16.0	Revenue expected to grow at 9.6% YoY with C&W/ECD/Lighting/Lloyd businesses to grow at 8%/2%/6%/23%. ECD segment impacted due to YoY high base of Fan segment & increase in competitive intensity. RAC sector had a medium growth & Lloyd benefit with capacity expansion in south India. EBITDA margin expected at 9.8%. PAT is expected to grow by 6.4% YoY.
	EBITDA	4,434	4,238	4.6	3,734	18.8	
	Margin (%)	9.8	10.3	-47 bps	9.6	23 bps	
	PBT	4,030	3,814	5.7	3,353	20.2	
	Adj. PAT	3,015	2,835	6.4	2,491	21.1	
KEI Industries	Sales	20,095	17,843	12.6	19,466	3.2	We expect revenues to grow by 12.6% YoY with C&W segment grow by 12.2% YoY mainly with healthy growth of 12%/14% YoY in LT/HT cables, accounts 60% revenue. The EPC segment (incl. cable) is expected to grow by 12% YoY. EBITDA margin expected at 10.4% YoY, improved by +20bps mainly with favourable product mix and cost control.
	EBITDA	2,090	1,822	14.7	2,039	2.5	
	Margin (%)	10.4	10.2	19 bps	10.5	-7 bps	
	PBT	1,927	1,737	10.9	1,884	2.3	
	Adj. PAT	1,442	1,286	12.1	1,402	2.9	

Company Name		Q3FY24E	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	Remark
Polycab India	Sales	41,602	37,151	12.0	42,177	(1.4)	We expect sales to grow by 12.0% YoY with Wires & Cables growing by 11.1%, lower growth due to last 10days disruption in business & slowdown in wire business. FMEG expected growth of 4% YoY impacted due to seasonally weak quarter for fan segment. We expect margins to contract by 20bps YoY with loss of sales. PAT to grow by 4.7% YoY.
	EBITDA	5,575	5,038	10.7	6,089	(8.4)	
	Margin (%)	13.4	13.6	-16 bps	14.4	-104 bps	
	PBT	5,055	4,818	4.9	5,572	(9.3)	
	Adj. PAT	3,746	3,576	4.7	4,256	(12.0)	
R R Kabel	Sales	16,201	14,795	9.5	16,097	0.6	We expect revenues to grow by 9.5% YoY with C&W segment to grow at 10% YoY. FMEG business expected to grow by 2.9%. EBITDA margin to improve sequentially at 7.6% YoY, mainly with favourable product mix and cost control.
	EBITDA	1,255	1,176	6.7	1,209	3.8	
	Margin (%)	7.7	7.9	-20 bps	7.5	23 bps	
	PBT	1,071	933	14.8	1,049	2.1	
	Adj. PAT	808	714	13.2	741	9.1	
Voltas	Sales	23,558	20,056	17.5	22,928	2.7	RAC industry continue to see higher competitive intensity Q2FY24, there is no improvement in RAC demand with festival unlike Ref./WM. UCP is expected to report revenue growth of 12.0% YoY. The volume growth expected good considering weak quarter. Beko continue to report loss. EMPS segment expected 30% YoY growth with positive margin. Consolidated revenues to grow by 17.5% YoY with EBITDA margin at 6.0% (+210bps YoY).
	EBITDA	1,413	764	85.1	703	101.1	
	Margin (%)	6.0	3.8	219 bps	3.1	294 bps	
	PBT	1,884	896	110.4	1,181	59.5	
	Adj. PAT	1,096	270	305.9	367	198.9	

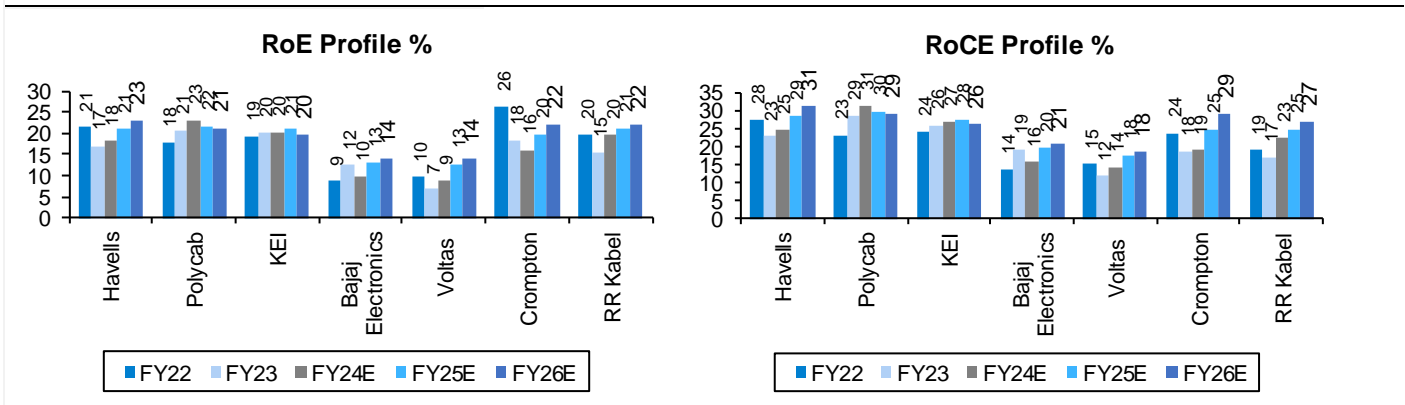
Source: Company, PL

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%	64.2	75.1	87.1
Polycab	62.4	69.3	75.2	75.8	107.0	125.4	15.0%	155.8	180.0	210.0
KEI Industries	28.1	35.0	41.2	37.2	53.5	65.1	18.3%	76.0	89.4	102.7
RR Kabel	19.8	22.6	22.5	25.2	41.1	49.6	20.2%	61.7	78.4	91.7
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		8.8	9.0	9.3
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%	49.8	55.8	63.2
Havells	27.4	34.1	33.6	34.9	44.7	49.1	12.4%	52.6	58.5	63.1
Crompton	41.1	44.8	45.1	48.0	53.9	58.1	7.2%	64.0	74.7	86.4
RR Kabel	-	1.5	1.9	2.0	2.7	6.5	-	7.5	8.3	9.2
FMEG margin %										
Polycab	1.8	1.2	2.0	5.5	1.6	(0.4)		3.5	5.5	7.0
Bajaj Electricals	4.7	8.1	7.6	10.5	7.5	6.1		4.8	7.0	7.7
Havells	27.6	27.1	27.5	27.1	25.7	27.7		27.7	27.6	27.6
Crompton	16.6	16.1	16.4	17.8	17.7	18.4		18.8	18.9	19.0
RR Kabel		(3.9)	(9.2)	(14.7)	(10.9)	(10.7)		(7.6)	(5.7)	(4.1)
EPC (Rs bn)										
KEI Industries	9.6	10.3	14.0	9.8	8.7	7.1	-5.9%	9.9	11.0	12.0
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: 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	70	50	40	57
	FY25E	75	85	65	70	50	40	57
	FY26E	75	85	65	70	50	40	57
Debtor	FY22	20	39	89	87	97	42	43
	FY23	21	32	73	111	84	36	39
	FY24E	18	26	75	90	85	34	37
	FY25E	17	26	80	90	85	34	37
	FY26E	15	26	80	90	85	34	37
Payable	FY22	62	47	49	93	135	69	14
	FY23	57	71	40	117	116	56	29
	FY24E	47	64	46	100	116	55	24
	FY25E	47	64	46	100	113	54	24
	FY26E	46	64	46	100	113	54	24
Cash Cycle	FY22	35	57	109	68	38	22	88
	FY23	44	38	92	73	30	20	66
	FY24E	46	47	89	60	19	19	70
	FY25E	45	47	99	60	22	20	70
	FY26E	44	47	99	60	22	20	70

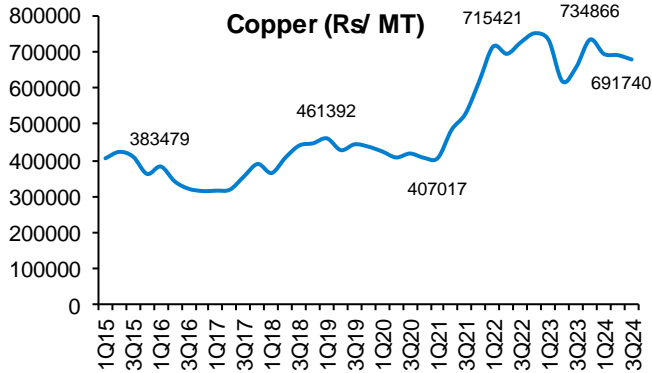
Source: Company, PL

Exhibit 6: 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	12,904	20,444	(1,750)	14,336	(5,670)	8,666	111.1%	67.2%
	FY25E	17,319	27,288	(1,843)	19,595	(2,800)	16,795	113.1%	97.0%
	FY26E	22,266	34,182	(1,179)	25,482	(2,900)	22,582	114.4%	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	17,062	25,602	(6,335)	13,758	(5,558)	8,200	80.6%	48.1%
	FY25E	19,610	28,982	(4,952)	17,530	(5,323)	12,207	89.4%	62.3%
	FY26E	23,080	33,844	(5,325)	20,794	(5,402)	15,391	90.1%	66.7%
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	5,798	8,317	(2,574)	3,761	(3,308)	453	64.9%	7.8%
	FY25E	7,207	10,490	(5,906)	2,102	(1,824)	278	29.2%	3.9%
	FY26E	8,240	11,952	(3,521)	5,594	(1,320)	4,274	67.9%	51.9%
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	1,982	4,899	790	5,000	(1,638)	3,362	252.4%	169.7%
	FY25E	2,893	5,771	(813)	3,983	(1,171)	2,812	137.7%	97.2%
	FY26E	3,444	6,475	(1,165)	4,150	(1,241)	2,909	120.5%	84.5%
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	5,057	9,446	1,057	8,352	(1,893)	6,459	165.2%	127.7%
	FY25E	7,755	11,967	(2,613)	6,389	(3,213)	3,176	82.4%	41.0%
	FY26E	9,436	13,946	(3,067)	7,519	(1,805)	5,714	79.7%	60.6%
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	4,463	8,071	(621)	5,952	724	6,676	133.3%	149.6%
	FY25E	6,030	10,099	(2,641)	5,368	(483)	4,885	89.0%	81.0%
	FY26E	7,380	11,548	(830)	8,166	(630)	7,537	110.7%	102.1%
RR Kabel	FY22	2,245	3,129	(1,649)	775	(809)	(34)	34.5%	-1.5%
	FY23	2,041	3,072	819	3,230	(1,790)	1,440	158.3%	70.6%
	FY24E	3,312	5,092	(2,858)	1,075	(2,875)	(1,800)	32.4%	-54.4%
	FY25E	4,616	7,063	(3,212)	2,302	(2,202)	99	49.9%	2.1%
	FY26E	5,959	8,984	(2,636)	4,348	(2,208)	2,139	73.0%	35.9%

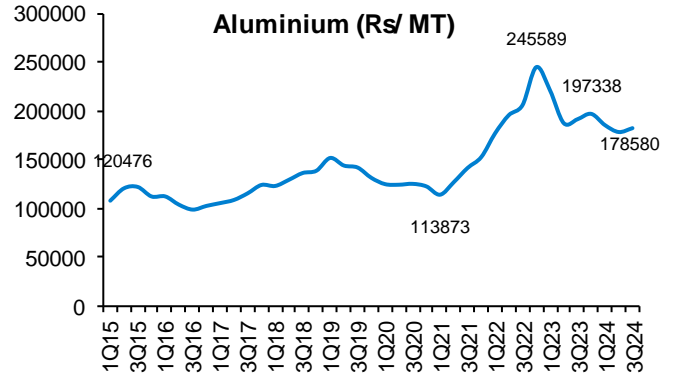
Source: Company, PL

Exhibit 7: Copper price up 3.2% YoY/ down 1.7% QoQ



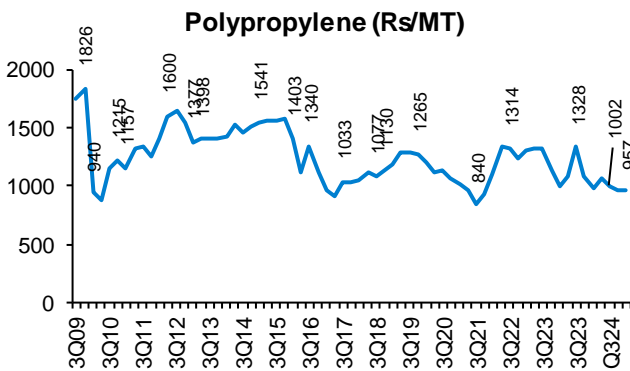
Source: PL

Exhibit 8: Aluminum price down 4.8%YoY / up 2.2%QoQ



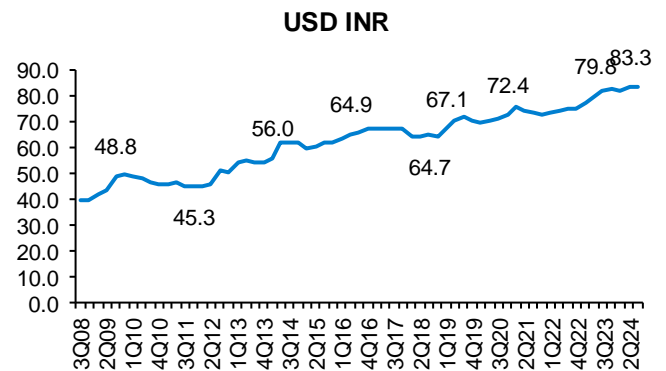
Source: PL

Exhibit 9: Polypropylene prices down 2.3%YoY/ flat QoQ



Source: PL

Exhibit 10: Avg INR depreciated by 1.3% YoY/flat QoQ



Source: PL

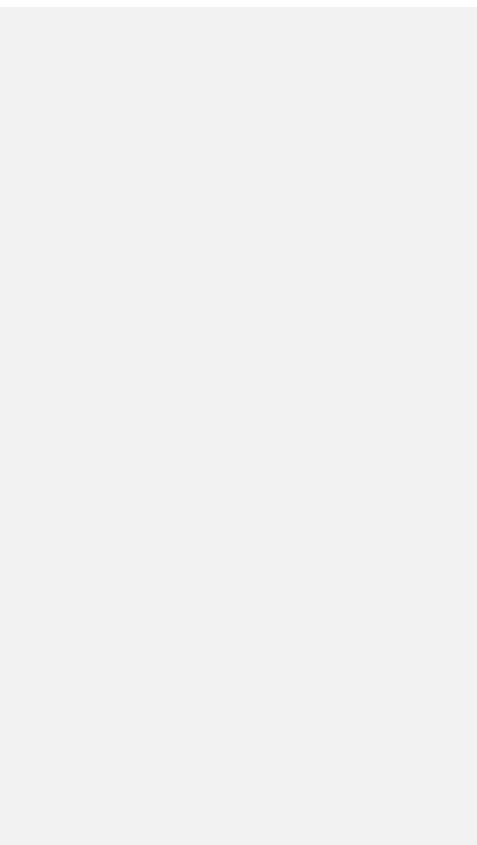




Exhibit 11: Valuation Summary

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)			
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Bajaj Electricals	S HOLD	1,026	1,047	118.1	48.8	49.8	55.8	63.2	3.7	3.2	4.5	5.4	2.3	2.0	2.9	3.4	19.9	17.2	25.1	29.9	12.4	9.7	13.0	13.8	51.4	59.6	40.8	34.3
Crompton Greaves Consumer Electricals	C BUY	313	397	205.4	68.7	74.0	85.8	99.0	7.7	7.3	9.2	11.0	4.6	4.5	6.0	7.4	7.3	6.8	9.2	11.3	18.1	16.0	19.9	22.0	43.0	46.0	34.1	27.8
Havells India	C Acc	1,376	1,538	861.8	169.1	190.7	219.9	249.8	16.0	18.7	24.5	30.8	10.7	12.9	17.3	22.3	17.1	20.6	27.6	35.5	17.0	18.1	21.0	23.0	80.4	66.8	49.8	38.7
KEI Industries	C HOLD	3,314	3,234	298.9	69.1	80.5	94.1	107.5	7.1	8.4	10.5	11.9	4.8	5.8	7.2	8.2	52.8	64.3	79.9	91.4	20.2	20.3	20.9	19.8	62.7	51.6	41.5	36.3
Polycab India	C Acc	5,344	6,021	800.4	141.1	176.5	204.0	237.9	18.5	24.5	28.1	32.7	12.7	17.1	19.6	23.1	84.8	113.9	130.9	154.1	20.9	23.1	21.8	21.3	63.0	46.9	40.8	34.7
R R Kabel	C BUY	1,566	1,872	176.7	56.0	69.2	86.7	100.9	3.2	5.1	7.1	9.0	2.0	3.3	4.6	6.0	21.3	29.4	40.9	52.8	15.3	19.7	21.3	22.1	73.4	53.3	38.3	29.6
Voltas	C HOLD	990	1,003	327.5	95.0	116.9	128.4	144.0	5.7	6.5	9.8	11.2	3.8	5.1	7.8	9.4	11.5	15.3	23.4	28.5	6.9	9.0	12.7	14.0	86.4	64.8	42.2	34.7

Source: Company, PL

S=Standalone / C=Consolidated / Acc=Accumulate

Exhibit 12: 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	HOLD	HOLD	1,047	1,032	1.5%	49,843	50,847	-2.0%	55,774	56,937	-2.0%	1,982	2,264	-12.5%	2,893	2,935	-1.4%	17.2	19.7	-12.5%	25.1	25.5	-1.4%
Crompton Greaves Consumer Electricals	BUY	BUY	397	377	5.4%	74,049	75,002	-1.3%	85,833	86,919	-1.2%	4,463	4,832	-7.6%	6,030	6,414	-6.0%	6.8	7.4	-7.6%	9.2	9.8	-6.0%
Havells India	Acc	Acc	1,538	1,538	0.0%	1,90,708	1,93,849	-1.6%	2,19,861	2,22,409	-1.1%	12,904	13,650	-5.5%	17,319	17,439	-0.7%	20.6	21.8	-5.5%	27.6	27.8	-0.7%
KEI Industries	HOLD	BUY	3,234	2,908	11.2%	80,525	82,380	-2.3%	94,145	96,240	-2.2%	5,798	6,154	-5.8%	7,207	7,430	-3.0%	64.3	68.2	-5.8%	79.9	82.4	-3.0%
Polycab India	Acc	Acc	6,021	5,943	1.3%	1,76,517	1,80,233	-2.1%	2,03,957	2,08,231	-2.1%	17,062	17,689	-3.5%	19,610	20,151	-2.7%	113.9	118.1	-3.5%	130.9	134.6	-2.7%
R R Kabel	BUY	BUY	1,872	1,872	0.0%	69,247	69,247	0.0%	86,724	86,724	0.0%	3,312	3,312	0.0%	4,616	4,616	0.0%	29.4	29.4	0.0%	40.9	40.9	0.0%
Voltas	HOLD	HOLD	1,003	909	10.3%	1,16,891	1,16,891	0.0%	1,28,386	1,28,386	0.0%	5,057	5,057	0.0%	7,755	7,755	0.0%	15.3	15.3	0.0%	23.4	23.4	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	1,983	1,900
2	Bajaj Electricals	Hold	1,032	1,018
3	Century Plyboard (I)	BUY	888	780
4	Cera Sanitaryware	Accumulate	8,597	7,842
5	Crompton Greaves Consumer Electricals	BUY	377	283
6	Finolex Industries	Accumulate	242	209
7	Greenpanel Industries	BUY	498	424
8	Havells India	Accumulate	1,538	1,363
9	Kajaria Ceramics	Accumulate	1,415	1,297
10	KEI Industries	BUY	2,908	2,469
11	Polycab India	Accumulate	5,943	5,339
12	R R Kabel	BUY	1,872	1,619
13	Supreme Industries	Accumulate	4,848	4,465
14	Voltas	Hold	909	819

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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