CONSUMER DURABLES

01 September 2025

Q1FY26 review: short summer hit ECD; W&C outperformed

- **Short summer in Q1 led to an inventory overhang, with large appliances getting hit the hardest**

  Leading W&C companies posted robust double-digit revenue growth (30-31%), led by double-digit volume growth (25-27% YoY)

- **Excess inventory (2.2-2.5mn units) aligns with average Q2-Q3 demand of ~3mn units.**

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Muted summer dampens cooling sales: In Q1, cooling product categories such as air conditioners, air coolers, and fans witnessed sharp volume declines, which weighed on revenue growth in both the ECD and large appliances segments. Within large appliances, cooling products revenue declined 13–25% YoY for VOLT and BLSTR, while Lloyd reported the steepest drop of 34% YoY. In contrast, wires & cables (W&C) sustained a strong revenue momentum, supported by higher copper prices, and lighting fared relatively better vs appliances. On the profitability front, weak volumes in ECD and appliances led to under-absorption of fixed costs, resulting in significant EBIT margin contraction. Meanwhile, leading W&C players such as HAVL and POLYCAB continued to deliver margin improvement.

ECD revenue declined on weak seasonal demand, margins under pressure: The ECD segment recorded a revenue decline of 8–16% YoY, on account of weak demand for seasonal products like fans and air coolers. However, growth outside of these categories also remained muted due to weak rural demand and only a gradual recovery in discretionary spending. Margins contracted across companies on lower volumes, resulting in under absorption of fixed costs and higher A&P spends in some cases—Havells (-220bps YoY), Bajaj Electricals (-900bps), and Orient Electric (-230bps YoY) Polycab's FMEG segment reported robust profitable growth on low base and product portfolio of solar rooftop business.

RAC excess inventory aligns with Q2-Q3 demand, but margin impact likely: Inventory overhang remains a concern as industry stocks are running above normal levels – by about one month for some players and up to two months for others. Based on the commentary from leading players, we estimate industry inventories at 2.5–3mn units. Our analysis suggests that combined consumption in Q2–Q3 has the potential to absorb ~3mn units (assuming flat industry growth), indicating that the liquidation of excess inventory should not be a major challenge. However, margin pressure could resurface as brands may (a) lean more on outsourcing vs internal production, given higher inventory at contract manufacturers (providing brands some negotiating leverage) (b) push higher off-season discounting.

Recommendation snapshot

Ticker	Price	Target	Rating
BLSTR IN	1,901	1,840	HOLD
CROMPTON IN	321	390	BUY
HAVL IN	1,554	1,700	HOLD
KEII IN	3,953	4,200	HOLD
ORIENTEL IN	212	280	BUY
POLYCAB IN	7,085	8,000	BUY
VGRD IN	372	390	HOLD
VOLT IN	1,363	1,400	HOLD

Price & Target in Rupees | Price as of 21 Aug 2025

W&C reported strong value-led growth, volume remains modest: W&C companies reported a robust revenue growth of 16–33% YoY in Q1, led by price hikes amid rising copper prices, while volume growth remained in the high double-digit range (25-27% for POLYCAB, 22-23% for HAVL). Polycab outperformed peers, driven by a strong export momentum. Margin improvement was largely flat, as price hikes adequately offset input cost inflation. Management commentary remained constructive, citing strong demand visibility from infrastructure, housing, and industrial capex. Competitive intensity is not visible on ground owing to the new entrants. Management maintains optimism with the industry's long-term growth potential estimated at ~1.5x GDP.

Pricing pressure persists in lighting, product mix leading to margin improvement: The lighting segment continued to face pricing pressure in Q1, resulting in muted revenue growth (-2% YoY to +7% YoY) across most players. While volume growth was in high-single-digits, elevated competitive intensity led to sustained discounting. Orient Electric continued with an outperformance, reporting +7% YoY revenue growth in the segment. On the margin front, most companies saw a slight contraction due to the ongoing price erosion. However, Crompton sustained margin improvement on YoY basis, with a 380bps YoY improvement, driven by a strategic portfolio shift from traditional lighting products to higher-margin panel lighting.

Large Appliances (Air Conditioners)

- Q1 saw a sharp decline in RAC volume, largely on account of a) high base of last year b) strong primary demand seen in Q4FY25, hit by short summer in FY26, leading to inventory overhang situation for all – brands, contract manufacturers and trade channel.

Fig 1 – Blue Star outperformed peers with UCP sales declining 13% YoY vs peers (Voltas and Lloyd)

Large Appliances	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ	FY25	FY24	YoY %
Revenue								
Voltas	28,679	38,022	(25)	34,584	(17)	1,06,139	81,605	30
Blue Star	14,994	17,295	(13)	19,602	(24)	56,211	45,922	22
Lloyd	12,711	19,287	(34)	18,736	(32)	51,341	38,103	35
EBIT								
Voltas	1,044	3,270	(68)	3,448	(70)	8,923	6,935	29
EBIT margin %	3.6	8.6	(496bps)	10.0	(633bps)	8.4	8.5	(9bps)
Blue Star	875	1,580	(45)	1,645	(47)	4,713	3,603	31
EBIT margin %	5.8	9.1	(330bps)	8.4	(256bps)	8.4	7.8	54bps
Lloyd	(209)	636	(133)	1,144	(118)	1,175	(1,670)	(170)
EBIT margin %	(1.6)	3.3	(494bps)	6.1	(775bps)	2.3	(4.4)	NA

Source: Company, BOBCAPS Research; Voltas UCP includes commercial Acs

- RAC inventories are above normal, ranging from 1 month higher (above normal) for some players to up to 2months for others. Based on commentaries, we estimate inventory level in the range of 2.2-2.5mn units.

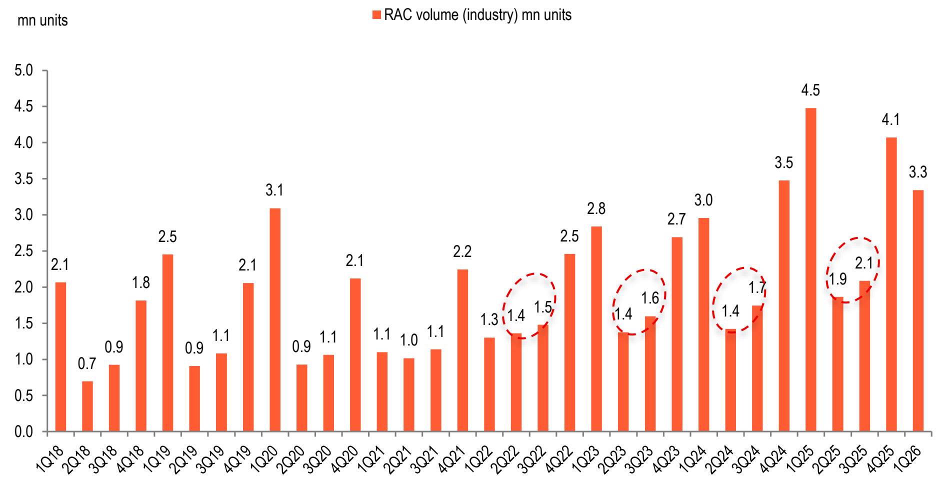
Fig 2 – Sales declined on short summer and high base; margins contract on unfavourable operating leverage

Large appliances (RAC)	Voltas	Blue Star	Lloyd
Demand	UCP revenue fell sharply (-25% YoY) on a high base and due to weak summer; RAC volumes dropped as peak season was cut short by unseasonal rains. Maintained leadership with ~19.3% market share for June (up from 16.9% in April).	UCP segments revenue declined 13% YoY, hit by short summer. Commercial refrigeration rebounded strongly on processed food and pharma demand.	Lloyd reported a 34% YoY fall on a high base — the highest among top players: given Lloyd's stronger presence in South India.
Margins	Margin in UCP segment dropped significantly due to lower volumes leading to under absorption of fixed costs.	Margin contracted on lower volumes leading to unfavorable operating leverage.	Margin improved significantly to 6.2% vs 2.8% YoY aided by cost savings and operating leverage
Inventory level	Realigned production to demand. However, inventory remains at elevated level, 3 months of own inventories while 2 months at channel level.	Inventory level is 1 month above normal level at the company and channel levels.	Inventory level remains high (above normal level).
Demand outlook for Q1FY26	Expect festive season (Onam, Durga Puja, Diwali) and a possible "second summer" to drive recovery. Full year guidance: the industry may end up with flat to -5% to -10% degrowth.	Expects demand revival in festive season. Sounded optimistic on demand recovery, full year growth of 10-15% on festive demand.	Festive demand and structural demand drivers to aid recovery, though in the near-term, growth will depend on inventory liquidation.

Source: Company, BOBCAPS Research

- We estimate off-season demand at ~3mn units; assuming flat trends, Q2–Q3 demand should be sufficient to absorb excess inventory, making liquidation manageable.

Fig 3 – Q2-Q3 industry demand has averaged ~3mn+ units over the past 4 years



Source: Industry, BOBCAPS Research

- New BEE ratings take effect from Jan'26. Unlike past cycles that triggered a major product portfolio revamp, the upcoming change mainly requires introduction of new 5-star SKUs, as lower-rated formats are already available (e.g., the new 3-star corresponds to the earlier 5-star). Hence, brands should find the transition relatively easy.

- Some pre-buying could emerge in Q3 as the trade channel looks to benefit from the temporary rating arbitrage.

Fig 4 – Change in BEE ratings over the past

Ratings level	Jan 2009- Dec 2011	Jan 2012- Dec 2013	Jan 2014-Dec 2017	Jan 2018- June 2022	July 2022-Dec 2025	Jan 2026- Dec 2028
1 star	2.3	2.5	2.7	3.1	3.3	3.5
2 star	2.5	2.7	2.9	3.3	3.5	3.8
3 star	2.7	2.9	3.1	3.5	3.8	4.3
4 star	2.9	3.1	3.3	4.0	4.4	5.0
5 star	3.1	3.3	3.5	4.5	5.0	5.6

Source: Company, BOBCAPS Research

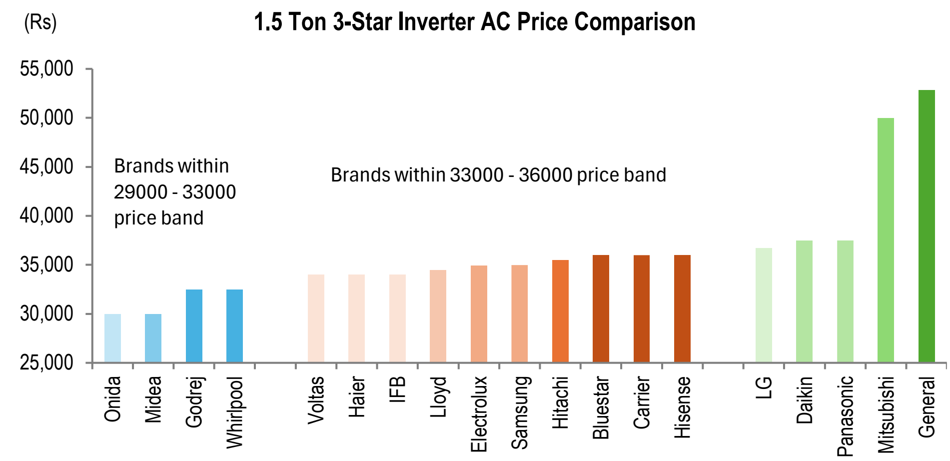
Fig 5 – Role of BEE in product innovation has increased over the years with multiple implementations

Period	What was planned	Implemented /Delay/ Extension	Remarks
2006	BEE was first introduced; it wasn't mandatory but voluntary		AC and refrigerators
Jan-09	Mandatory AC labelling	Implemented	First compulsory star label, based on EER
2009 - 2011	First validity window	Implemented	
2012 - 2013	Next tightening / ratcheting	Implemented	
2014 - 2017	Next tightening / ratcheting	Implemented	
Jan-18 - Dec-19	Planned new regime (ISEER adopted)	Extended to Dec 2020	Industry sought 1yr extension citing readiness issues
Jan-21 - Jun-22	New table should've started 2021	Extended again till June 2022	COVID led disruption
Jul-22 - Dec-25	Current ratings (ISEER based)	in force	
Jan-26 - Dec-28	Next revision is also tightening/ ratcheting		Weak demand and high channel inventory can push implementation

Source: Industry, BOBCAPS Research

- Competitive intensity in the RAC segment remains high, with most brands clustered in a narrow Rs 33–36k price band and offering limited product differentiation. We believe Voltas' lack of price competitiveness is a key factor behind its declining market share.

Fig 6 – Competitive intensity remains elevated – Rs 33k-36k most competitive



Source: Company, BOBCAPS Research

Electrical Consumer Durables (ECD)

- The ECD segment was impacted by weakness in seasonal products, which account for 30–50% of the category, particularly fans and air coolers. Demand softness in these categories weighed heavily on the overall segment performance.
- Within fans, ceiling fans fared relatively better as they are more of a structural/necessity product, whereas TPW (table, pedestal, wall) fans — being highly seasonal — saw sharper declines.
- Similar to RACs, the upcoming BEE rating transition should not pose a major challenge for fan companies. Two scenarios could play out: (a) disallowance of old 1-star models could drive ASPs higher, or (b) in a weaker demand environment, brands may struggle to pass on the resulting price increase.

Fig 7 – Seasonal categories (TPW fans, air coolers) dragged overall performance down

ECD	Havells	Crompton	V-guard	Orient Electric	Bajaj Electricals (not rated)
Demand	Demand weakness continued, impacted by short summer (delayed summer + early monsoon).	ECD revenue declined 8% YoY on account of weak demand for seasonal products such TPW fans and air coolers.	Growth was impacted by early onset of monsoon, which curtailed the summer season and caused a sharp drop in demand for cooling products.	Fans grew in low single digits, BLDC fans rose by 50% YoY with premium mix at 30-35%, while appliances declined more than 40% due to weak cooler sales.	TPW fans were impacted more than ceiling fans, especially in the East and South regions. However, the company's non-seasonal business performed well, with high double-digit growth in most categories. Coolers saw 45% decline.
Margins	Margins contracted due to lower volumes, though premiumisation and new launches partly cushioned the decline.	Margin contracted on lower volume, leading to unfavourable operating leverage.	Margin impacted by weak TPW and air cooler sales and higher A&P spends.	Margin contracted due to higher A&P spends.	Weak volume impacted margins.
Capex		The company has announced Rs 3.5bn greenfield capex plan to expand fan manufacturing capacity in phase 1, which includes land acquisition	In-house manufacturing accounts for 65% of production. New fans plant will be operational in 18 months. Expansion of the battery unit is underway and is expected to be completed in 24 months.	Hyderabad plant is currently supplying 50% of TPW fans' requirements.	The company is also evaluating a new factory. No major investment is planned for the new switchgear segment, as the company will be mostly sourcing from outside.
Demand outlook for Q1FY26	Demand for Fans and other cooling products more of a seasonal product, expects recovery in coming quarters.	During 1Q, the industry decline was 11% YoY vs 8% YoY for Crompton, implying market share gains.	The company is targeting to achieve 11-12% growth with Q4 being critical in shaping the overall annual growth.	Management expects the festive season and early Diwali in Q2 to support demand recovery, with channel inventory in fans now normalised. The company reiterated its goal of achieving double-digit EBITDA margins over the next 7-8 quarters.	The company is focusing on increasing the top line and improving market share by continued investment in brands and initiatives like revamped go-to-market strategies, digitalisation, and manufacturing efficiencies.

Source: Company, BOBCAPS Research

Fig 8 – Orient Electric and Polycab (FMEG; on a low base) outperformed the segment

ECD	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ	FY25	FY24	YoY %
Revenue								
Havells	9,073	10,554	(14)	9,973	(9)	40,139	34,825	15
Crompton	15,863	17,266	(8)	16,029	(1)	60,100	53,922	11
V-Guard	3,496	4,176	(16)	4,092	(15)	21,699	19,731	10
Orient Electric	5,450	5,449	0	6,142	(11)	21,730	19,828	10
Bajaj Electricals	8,070	9,052	(11)	9,940	(19)	38,059	36,039	6
Polycab (FMEG)	4,542	3,855	18	4,760	(5)	16,822	12,988	30
EBIT								
Havells	788	1,147	(31)	1,248	(37)	3,991	3,871	3
EBIT margin %	8.7	10.9	(218bps)	12.5	(383bps)	9.9	11.1	(117bps)
Crompton	2,116	2,587	(18)	2,675	(21)	9,283	7,747	20
EBIT margin %	13.3	15.0	(164bps)	16.7	(335bps)	15.4	14.4	108bps
V-Guard	(72)	217	(133)	139	(152)	694	485	43
EBIT margin %	(1.3)	4.0	(530bps)	2.3	(358bps)	3.2	2.4	75bps
Orient Electric	369	494	(25)	678	(46)	2,203	1,856	19
EBIT margin %	6.8	9.1	(230bps)	11.0	(426bps)	10.1	9.4	78bps
Bajaj Electricals	(136)	231	(159)	390	(135)	1,229	1,142	8
EBIT margin %	(3.0)	6.0	(898bps)	8.2	(1118bps)	7.3	8.8	(149bps)
Polycab - FMEG	95	(28)	NA	19	399	(389)	(942)	(59)
EBIT margin %	2.1	(0.7)	280bps	0.4	170bps	(2.3)	(7.3)	NA
RR Kabel - FMEG	(71)	(207)	NA	(91)	(22)	(459)	(685)	(33)
EBIT margin %	(3)	(9)	580bps	(3)	NA	(5)	(9)	NA

Source: Company, BOBCAPS Research

Lighting

- Pricing erosion continued, revenue growth was muted (flat to decline). However relatively better than ECD and large appliances.
- Volume growth was between high-single-digit to mid-teens.

Fig 9 – Lighting – price erosion continued; Crompton portfolio tilting towards professional lighting

Lighting	Havells	Crompton	Bajaj Electricals (Not Rated)	Orient Electric
Demand	Lighting segment growth was muted, revenue declined 2% YoY as pricing erosion continued, while volume growth was in high single digit.	B2B lighting delivered double-digit volume growth, led by commercial, flood, high mast and poles categories. B2C segment saw a traction in outdoor and decorative lighting with pivot towards higher-value designer-led offerings.	Lighting Solutions delivered single-digit value growth. Consumer Lighting witnessed double-digit value growth in general trade. Professional Lighting also delivered good growth.	B2C Lighting outperformed industry with single-digit value growth and double-digit volume growth. Consumer Lighting business witnessed industry-leading volume growth, aided by new product developments and distributor partnerships, resulting in market share gains.
Margins	Margin contracted 400bps YoY as pricing erosion continued	Sharp improvement in profitability - with margins expanding 377 bps. This resulted from continued focus on improving product mix (panels now largest segment) and operating efficiencies.	Margin expanded on the back of improving product mix of high margin ceiling and outdoor lighting.	Sequential improvement in margins on account of adequate price hikes.

Source: Company, BOBCAPS Research

Fig 10 – Lighting segment quarterly performance snapshot

Lighting	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ	FY25	FY24	YoY %
Revenue								
Havells	3,802	3,876	(2)	4,417	(14)	16,708	16,398	2
Crompton	2,330	2,333	0	2,761	(16)	10,203	9,982	2
Orient Electric	2,241	2,100	7	2,476	(10)	9,207	8,294	11
Bajaj Electricals	2,576	2,498	3	2,715	(5)	10,225	10,374	(1)
EBIT								
Havells	455	630	(28)	725	(37)	2,507	2,478	1
EBIT margin %	12.0	16.2	(427bps)	16.4	(444bps)	15.0	15.1	(11bps)
Crompton	296	209	42	440	(33)	1,196	1,053	14
EBIT margin %	12.7	8.9	377bps	15.9	(321bps)	11.7	10.6	117bps
Orient Electric	390	390	0	308	26	1,320	1,164	13
EBIT margin %	17.4	18.6	(118bps)	12.5	494bps	14.3	14.0	29bps
Bajaj Electricals	272	261	4	212	28	675	796	(15)
EBIT margin %	10.6	10.5	10bps	7.8	274bps	6.6	7.7	(107bps)

Source: Company, BOBCAPS Research

Wires and Cables

- Value led growth while volume growth remains modest.
- W&C market expected to grow at ~1.5x GDP, offering ample headroom for players despite rising competition.
- High growth and profitability in housing wires has drawn fresh competition — Orient Electric is targeting the segment for growth, while Torrent Cables and Surya Roshni have also entered recently.

Fig 11 – Polycab outperformed peers during the quarter

Wires and cables	Havells	Polycab	KEI	RR Kabel	Finolex
Demand	Revenue grew ~27% YoY, supported by ~20–21% volume growth and ~6–7% value growth. Wires accounted for ~65% of the mix, while cable volumes benefited from the recent capacity expansion in power cables.	Cables outpaced wires in terms of YoY growth this quarter. International revenue grew 24% YoY, contributing ~5% of total W&C sales.	Revenue grew 26% YoY, driven by robust cable sales (up 32% YoY). Export revenue rose 61% YoY, without any one-off large orders, indicating structural strength in overseas markets.	W&C revenue grew 16% YoY, led by 6.5% YoY growth in volume. Domestic cable sales were soft due to a spillover of demand in Q2.	Electrical cable revenue grew 16% YoY, while communication cables revenue declined due to contract delays.
Margins	Enhanced capacity, better operating leverage, and an improved product mix have supported margin expansion.	EBIT margin for W&C stood at 14.7%, improving by 190 bps YoY, supporting commodity upcycle.	Margin was flat YoY, supported by scale benefits	Margins improved on a better product mix	EBIT margin contracted by 100bps YoY in electrical cables due to a softer product mix.
Guidance	C&W capex of ~Rs 3.4 bn in the quarter (company-wide capex commentary includes C&W expansion).	Expects W&C industry to grow 1.5x the real GDP and is confident of outperforming the industry.	Guides for 17-20% revenue growth over FY26-27 and margin improvement beyond FY27 post the ramp-up of the Sanand plant.	The company aspires to achieve W&C revenue CAGR of 18% over the next 3 years. Domestic business to grow 1.6x while exports business 1.8x.	Expects to reach 12% segment margin.

Source: Company, BOBCAPS Research

Fig 12 – Wires & Cables segment quarterly performance snapshot

Wires & Cables	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ	FY25	FY24	YoY %
Revenue								
Havells	19,332	15,212	27	21,694	(11)	71,836	63,176	14
Polycab	52,286	39,421	33	60,191	(13)	1,92,366	1,62,806	18
KEI Industries	25,292	19,294	31	28,429	(11)	93,929	75,413	25
V Guard	5,247	4,877	8	6,661	(21)	21,699	19,731	10
Finolex	12,057	10,318	17	13,910	(13)	44,990	42,216	7
RR Kabel	18,335	15,782	16	19,562	(6)	66,888	58,296	15
EBIT								
Havells	2,426	1,711	42	2,586	(6)	7,715	7,161	8
EBIT margin %	12.6	11.2	130bps	11.9	63bps	10.7	11.3	(59bps)
Polycab	7,683	4,967	55	9,090	(15)	26,203	24,078	9
EBIT margin %	14.7	12.6	209bps	15.1	(41bps)	13.6	14.8	(117bps)
KEI Industries	2,708	2,078	30	3,094	(12)	9,843	7,687	28
EBIT margin %	10.7	10.8	(6bps)	10.9	(18bps)	10.5	10.2	29bps
V Guard	474	492	(4)	769	(38)	2,182	2,126	3
EBIT margin %	9.0	10.1	(105bps)	11.5	(252bps)	10.1	10.8	(72bps)
Finolex	1,174	1,158	1	1,526	(23)	4,758	5,376	(11)
EBIT margin %	9.7	11.2	(149bps)	11.0	(123bps)	10.6	12.7	(216bps)
RR Kabel	1,391	1,130	23	1,941	(28)	4,965	5,043	(2)
EBIT margin %	7.6	7.2	43bps	9.9	(234bps)	7.4	8.6	(123bps)

Source: Company, BOBCAPS Research

Fig 13 – Working capital trend

Working capital	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Median
Net working capital days								
Havells	27	55	35	44	37	37	38	37
Crompton	23	9	22	20	12	12	8	12
Orient Electric	57	16	40	27	30	30	40	30
V guard	73	73	89	75	64	64	58	73
Blue Star	9	8	18	22	28	28	21	21
Voltas	29	30	38	30	24	24	32	30
Polycab	83	86	68	56	58	58	57	58
KEI	79	120	109	92	83	83	103	92
Inventory days								
Havells	72	91	78	80	67	67	68	72
Crompton	37	39	49	40	41	41	41	41
Orient Electric	51	45	49	41	41	41	51	45
V guard	70	85	90	68	61	61	65	68
Blue Star	59	76	69	66	53	53	66	66
Voltas	70	62	76	61	62	62	64	62
Polycab	80	83	66	76	74	74	60	74
KEI	65	67	69	58	60	60	65	65
Receivable days								
Havells	9	20	20	21	23	23	21	21
Crompton	37	35	42	36	36	36	32	36
Orient Electric	65	65	58	51	60	60	60	60
V guard	47	52	50	50	45	45	35	47
Blue Star	57	69	72	71	74	74	60	71
Voltas	87	87	97	84	74	74	59	84
Polycab	59	60	39	32	41	41	42	41
KEI	102	118	89	73	68	68	67	73
Payables days								
Havells	55	56	62	57	53	53	51	55
Crompton	52	66	69	55	66	66	65	66
Orient Electric	59	95	67	65	71	71	71	71
V guard	44	64	51	43	41	41	43	43
Blue Star	108	137	123	115	99	99	105	108
Voltas	128	119	135	116	113	113	92	116
Polycab	56	56	36	53	58	58	45	56
KEI	87	65	49	40	45	45	29	45

Source: Company, BOBCAPS Research

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