

A lacklustre end to FY23

- Flagging demand and unseasonal rains in March dampen our Q4 outlook for consumer durables companies
- Fan players seeing slower sales post BEE rating transition in Jan'23; AC demand resilient despite errant weather
- Expect tepid 6.4%/3.5% YoY topline/bottomline growth for our coverage; prefer HAVL, CROMPTON and BLSTR

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Weak demand mars Q4 prospects: We expect Q4FY23 to be a slow quarter as inflationary pressures, poor rural offtake and unseasonal rains have weighed on demand and deterred anticipated price hikes. Players in the fan (CROMPTON, HAVL, ORIENTEL, POLYCAB) and air conditioner (VOLT, BLSTR, HAVL) businesses remain optimistic of ending the summer season on a good note and hence registering a better June quarter. Overall, we project tepid 6.4% YoY topline and 3.5% YoY bottomline growth for our consumer durables coverage in Q4.

Fan and AC sales likely to underperform: The Jan'23 energy rating transition in the fans vertical has proved unfavourable for companies. Our [channel checks](#) indicate that dealers had stocked up inventory ahead of the rating change which was then offered at a discount due to weak demand. Primary billing thus remained stagnant. The month of February saw strong sales, but March was slow as unseasonal rains curbed demand. AC sales also saw the impact of the errant weather with MoM demand improvement only in January and February, per our dealer checks. We expect margins to remain under pressure amidst weaker sales and inadequate price hikes.

Momentum to continue for wires & cables players: Higher commodity prices (average copper prices up 12% QoQ) have laid the foundation for volume growth in the wires & cables segment in Q4FY23. Price hikes of ~5% during the quarter augur well for operating margins, as does stronger traction in B2B over B2C business.

Margin recovery likely to fall short of expectations: We expect higher EBITDA margins QoQ for our coverage companies in Q4 but a slower recovery than earlier anticipated. Companies had been optimistic about a strong margin rebound in H2FY23, but this may be capped by inadequate pricing action, discounts and poor demand.

Maintain picks: We prefer HAVL (BUY, TP Rs 1,500) – a diversified play on consumer durables that is relatively better placed to tap into the premiumisation theme than peers; CROMPTON (BUY, TP Rs 440) – market leader in fans that is likely to turn the rating transition into an opportunity and is attractively valued; and BLSTR (BUY, TP Rs 1,450) – for its resilient AC business in a challenging climate.

Recommendation snapshot

Ticker	Price	Target	Rating
AMBER IN	1,848	2,100	HOLD
BLSTR IN	1,433	1,450	BUY
CROMPTON IN	300	440	BUY
DIXON IN	2,929	4,100	BUY
HAVL IN	1,201	1,500	BUY
KEII IN	1,744	1,900	BUY
ORIENTEL IN	246	290	HOLD
POLYCAB IN	2,938	3,300	BUY
SYRMA IN	275	400	BUY
VGRD IN	253	260	HOLD
VOLT IN	818	910	HOLD

Price & Target in Rupees | Price as of 5 Apr 2023

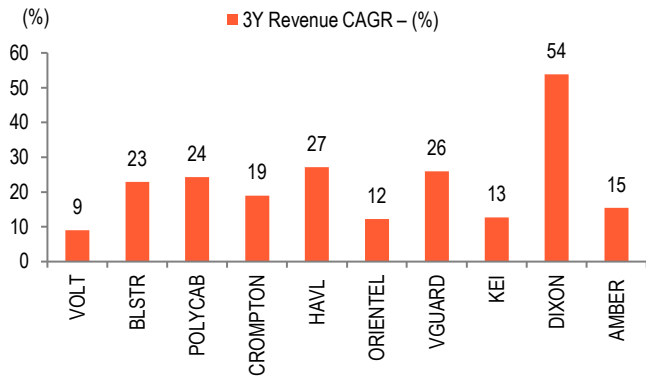


Fig 1 – BOBCAPS Consumer Durables Universe: Q4FY23 snapshot

Company	Revenue (Rs mn)					EBITDA (Rs mn)					EBITDA margin (%)			PAT (Rs mn)				
	Q4FY23E	Q4FY22	Q3FY23	YoY (%)	3Y CAGR (%)	Q4FY23E	Q4FY22	Q3FY23	YoY (%)	3Y CAGR (%)	Q4FY23E	Q4FY22	Q3FY23	Q4FY23E	Q4FY22	Q3FY23	YoY (%)	3Y CAGR (%)
VOLT	27,076	26,666	20,056	1.5	9.0	2,244	2,610	764	-14.0	5.3	8.3	9.8	3.8	1,611	1,827	270	-11.8	0.3
BLSTR	24,141	22,476	17,882	7.4	22.9	1,710	1,430	1,047	19.7	67.2	7.1	6.4	5.9	1,334	764	584	74.7	145.7
POLYCAB	40,881	39,700	37,152	3.0	24.3	5,122	4,763	5,038	7.5	19.4	12.5	12.0	13.6	3,337	3,222	3,576	3.6	16.0
CROMPTON	17,263	15,479	15,162	11.5	18.9	2,361	2,158	1,524	9.4	18.7	13.7	13.9	10.1	1,469	1,766	853	-16.8	12.9
HAVL	45,610	44,263	41,276	3.0	27.2	4,884	5,199	4,236	-6.1	25.9	10.7	11.7	10.3	3,486	3,525	2,835	-1.1	25.2
ORIENTEL	7,939	7,533	7,390	5.4	12.1	856	807	549	6.1	9.5	10.8	10.7	7.4	537	488	326	10.2	14.5
VGUARD	10,789	10,582	9,808	2.0	25.9	958	1,110	659	-13.7	28.1	8.9	10.5	6.7	668	897	393	-25.6	27.5
KEI	18,021	17,917	17,843	0.6	12.7	1,875	1,720	1,822	9.0	15.5	10.4	9.6	10.2	995	1,160	1,286	-14.2	17.0
DIXON	31,261	29,528	24,047	5.9	53.9	1,469	1,181	1,112	24.3	38.0	4.7	4.0	4.6	809	630	519	28.5	43.2
AMBER	20,225	19,367	13,483	4.4	15.4	1,425	1,253	785	13.8	11.8	7.0	6.5	5.8	752	593	142	26.8	6.2
SYRMA	5,257	-	5,126	-	-	497	-	478	-	-	9.5	-	9.3	400	-	332	-	-
Total	2,48,463	2,33,510	2,09,226	6.4	23.2	23,401	22,231	18,013	5.3	21.5	9.4	9.5	8.6	15,398	14,870	11,115	3.5	20.4

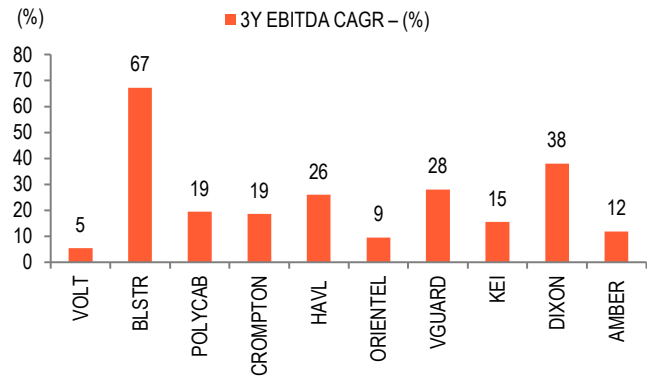
Source: Company, BOBCAPS Research

Fig 2 – 3Y Revenue CAGR



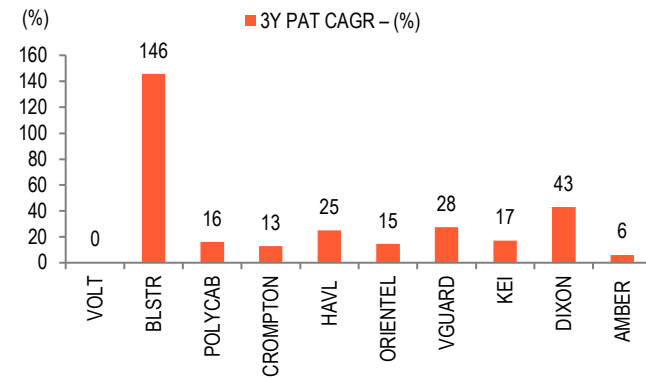
Source: Company, BOBCAPS Research

Fig 3 – 3Y EBITDA CAGR



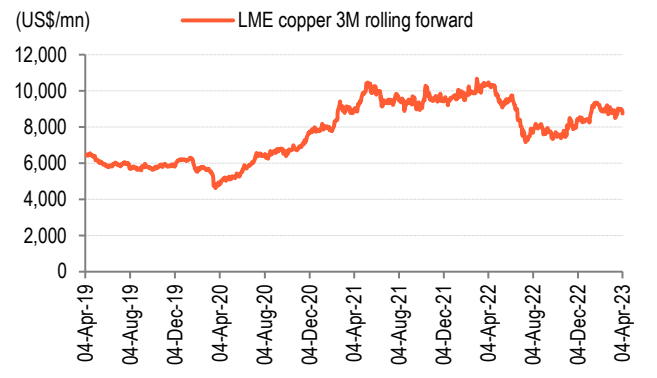
Source: Company, BOBCAPS Research

Fig 4 – 3Y PAT CAGR



Source: Company, BOBCAPS Research

Fig 5 – Commodity price trend



Source: Company, BOBCAPS Research

Fig 6 – Valuation snapshot

Company	Rating	Mcap (Rs bn)	CMP (Rs)	Target (Rs)	Upside (%)	Revenue (Rs bn)				EBITDA (Rs bn)			
						FY23E	FY24E	FY25E	CAGR (%) (FY23E-25E)	FY23E	FY24E	FY25E	CAGR (%) (FY23E-25E)
VOLT	Hold	271	818	910	11	89	108	127	19.9	5.5	9.1	11.5	44.9
BLSTR	Buy	138	1,433	1,450	1	71	82	95	15.5	4.2	5.0	6.7	26.4
CROMPTON	Buy	190	300	440	47	68	78	90	15.1	8.0	10.0	12.0	22.4
HAVL	Buy	752	1,201	1,500	25	161	182	210	14.0	15.4	21.6	28.9	36.8
ORIENTEL	Hold	52	246	290	18	27	31	35	15.3	1.8	2.6	3.1	30.9
VGRD	Hold	109	253	260	3	40	44	50	11.8	3.1	4.6	5.2	28.1
KEII	Buy	158	1,744	1,900	9	68	78	89	14.8	6.9	9.3	11.3	27.8
DIXON	Buy	174	2,929	4,100	40	129	183	218	30.1	5.1	7.2	8.8	30.9
AMBER	Hold	62	1,848	2,100	14	57	73	89	25.2	3.4	5.0	6.0	32.6
SYRMA	Buy	48	275	400	45	19	25	36	38.3	1.8	2.5	3.7	43.2

Company	EBITDA Margin (%)			PAT (Rs bn)				EPS (Rs)				P/E (x)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	CAGR (%) (FY23-25E)	FY23E	FY24E	FY25E	CAGR (%) (FY23-25E)	FY23E	FY24E	FY25E
VOLT	6.2	8.5	9.1	3.7	6.2	7.9	47.0	11.1	18.9	24.0	47.0	73.7	43.4	34.1
BLSTR	5.9	6.1	7.0	2.4	2.8	4.0	28.8	25.1	29.0	41.7	28.8	57.0	49.5	34.4
CROMPTON	11.8	12.8	13.3	5.0	6.9	8.4	29.6	7.9	10.9	13.3	29.6	37.9	27.5	22.6
HAVL	9.6	11.9	13.8	10.4	14.8	19.7	37.3	16.7	23.6	31.4	37.3	72.1	50.9	38.2
ORIENTEL	6.9	8.4	8.8	1.0	1.5	1.8	37.5	4.6	7.0	8.7	37.5	53.6	35.1	28.3
VGRD	7.9	10.4	10.3	2.0	3.0	3.3	29.1	4.6	7.0	7.7	29.1	54.6	36.1	32.7
KEII	10.2	12.0	12.7	4.4	5.8	7.2	27.7	48.4	64.3	78.9	27.7	36.1	27.1	22.1
DIXON	4.0	3.9	4.0	2.6	3.6	4.7	33.8	44.3	61.0	79.3	33.8	66.2	48.0	36.9
AMBER	6.1	6.8	6.8	1.3	2.0	2.8	46.9	38.0	59.1	82.0	46.9	48.6	31.2	22.5
SYRMA	9.4	9.9	10.1	1.2	1.6	2.2	37.3	6.6	9.1	12.5	37.3	41.5	30.2	22.0

Source: Company, BOBCAPS Research

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Note: Recommendation structure changed with effect from 21 June 2021

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