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08 July 2026

RESEARCH

CONSUMER DURABLES | Q1FY27 PREVIEW

Cooling demand accelerates amid rising copper prices

SUMMARY

CONSUMER DURABLES: Q1FY27 PREVIEW

- Extended summer to drive cooling-led demand off a weak base, with refrigerators and washing machines also strong
- Copper pass-through lifts W&C realisations, keeping value growth ahead of volume with margins largely protected
- We expect input-cost inflation and price hikes to compress cooling and appliance margins as pass-through stays incomplete

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RAC demand improves YoY on an early and extended summer: Weak 2025 demand and an early, intense summer drove strong primary sales, with a stalled monsoon leaving northern and central markets hot through one of the driest Junes on record and extending demand later than usual. RAC volumes are likely up high-teens/~20% YoY though input and price-hike costs weighed on margins.

W&C demand stays healthy; copper inflates value growth: W&C value growth likely overstated underlying demand as elevated copper prices lifted realisations. Steady execution across power, railways and real estate supported volumes, but much of the gap between ~25% value growth and single digit volume growth was likely driven by copper pass-through and some channel stocking rather than stronger end-demand.

Fans and lighting led by mix rather than volume: Fan demand followed the same April-May-then-June pattern as ACs, with the structural driver being the shift to BLDC on mandatory star-labelling, which raises ASPs. Lighting profitability is stabilising as LED price erosion eases, allowing value growth to exceed volume, aided by a higher share of decorative and smart lighting.

EMS growth continues; component capex weighs on near-term returns: Assembly volumes were muted due to rising input prices. The shift towards backward integration into components continues but involves margin dilution due to increasing competitive intensity amid absence of PLI incentives. Revenue growth remains high; incremental returns, rather than revenue, are the key monitorable.

Margins to decline as input costs stay elevated: Copper held near record levels through the quarter and aluminium touched multi-year highs on West Asia-led supply disruption before easing in late June, with copper and aluminium up ~42/43% and rupee depreciation adding to imported-component costs. Despite better pass-through than last quarter, adverse input costs and currency together should drive YoY margin compression across the cooling and W&C space.

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