

## White Goods & Durables

### Analysis of Mixer industry: Steady growth to continue

We believe most white goods & durables companies will be beneficiaries of steady growth in the mixer industry in India as: (1) the industry is growing in mid-high single digits, (2) penetration level across India is just 32% with only 24% in rural markets, and (3) there is strong scope to improve realisations/margins via introduction of premium products. While mixer and its sub-segments are dominated by Indian players, we also note multiple MNCs too are present. We believe Bajaj Electricals has the advantage of established brand, distribution and a large product portfolio, hence we expect it to be a medium to long term winner.

Our earlier reports in this series: [Pressure cooker](#), [Fans](#)

- ▶ **Steady growth market:** The mixer industry accounts for ~51% of the small appliances market in India. Market size was ~Rs44bn in FY20 and is expected to grow at a CAGR of ~8% over FY20-FY25. Key reasons for the expected steady growth rate: (1) rising penetration in Indian households, and (2) share gains from unorganised / smaller players.
- ▶ **Key sub-segments and growth rates:** Mixer industry can be divided into four major segments: (1) mixers (Rs44bn), (2) food processors (Rs12.3bn), (3) juicers (Rs1bn), and (4) hand blenders (Rs3.6bn). All the segments are expected to grow at mid-high single digits in the coming decade.
- ▶ **Key players and market shares:** Bajaj Electricals is market leader in mixers whereas Philips is leader in food processors. Bajaj Electricals is #1 in juicers too. Blender market is dominated by Philips. We note, while domestic players dominate the category, MNCs such as Philips too have strong market shares.
- ▶ **Growing penetration across rural and urban markets:** Household penetration of mixers in India is at 32%. Urban and rural penetration levels are 48% and 24%, respectively. We note rural India offers substantial growing opportunity to the mixer industry due to: (1) rising electrification in rural areas, (2) growing distribution in such areas, and (3) favourable base.
- ▶ **Premiumisation in mixer industry:** Similar to other consumer durables, there is steady innovation in the mixer industry too by way of: (1) better aesthetics, (2) reduction of electricity usage, and (3) reduction in noise. Crompton has launched its *Pro-care* range for anti-bacteria and anti-odour mixers. Havells has launched mixers with digital display and touch control.
- ▶ **Sector view and top picks:** Considering the strong return ratios, healthy growth potential and low penetration levels, we remain structurally positive on the white goods and durables sector. We also expect migration from unorganised to organised sector to steadily generate value. Havells and Bajaj Electricals are our top picks. We have ADD rating on Crompton and TTK Prestige.

### Valuation summary

Company	Price (Rs)	M.Cap (Rs bn)	Target Price (Rs)	Rating	RoE (FY22E)	RoCE (FY22E)	EPS CAGR FY21-23E	P/E (x) FY23E
Havells	1041	653	1,198	BUY	19.5	22.4	17.4	45.2
Crompton	452	284	477	ADD	28.4	37.8	7.5	39.8
Whirlpool	2224	282	2,364	HOLD	19.8	20.1	44.8	40.4
Bajaj Electricals	1028	118	1,325	BUY	19.0	21.1	59.0	25.6
V-Guard	258	111	269	HOLD	18.8	21.6	20.8	37.9
TTK Prestige	9328	129	9,200	ADD	16.9	19.7	16.5	41.2

Source: Company data, I-Sec research

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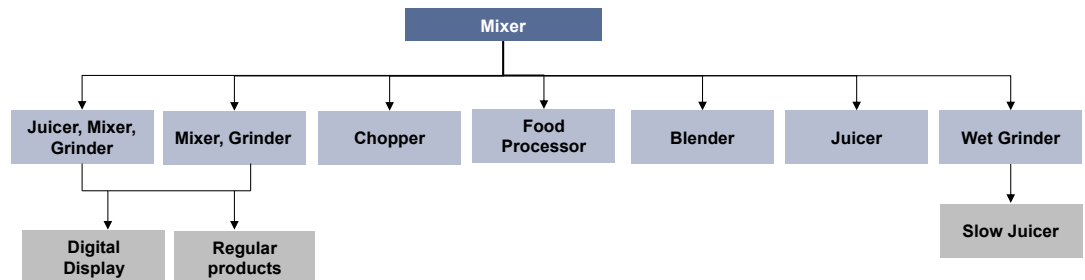
## Analysis of mixer industry

We analyse the mixer market, its sub-segments, growth rates and market shares. We note the mixer industry has been growing at steady mid-high single-digit growth rates over past decade. The market is also steadily premiumising with launches of differentiated products.

### Key segments of mixer industry

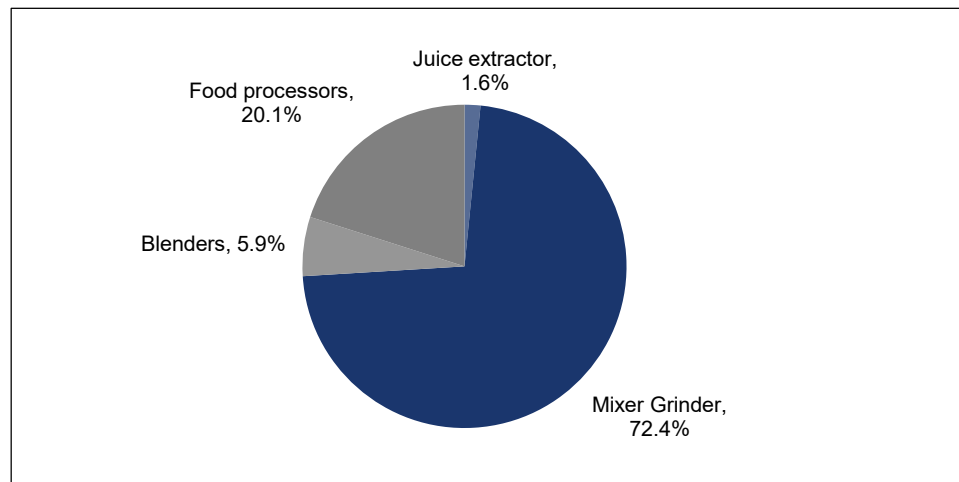
The mixer industry can be divided into multiple segments such as: (1) mixer, (2) chopper, (3) blender, (4) food processor, (5) juicer & slow juicer, (6) Combined product of Juicer, mixer and Grinder, and (7) wet grinder.

**Chart 1: Key sub-segments of mixer industry**



Source: Company data, I-Sec research

**Chart 2: Breakup of industry among major sub-segments**



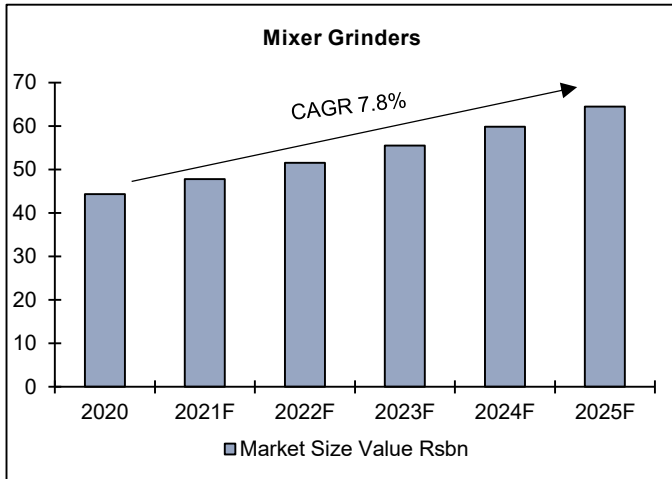
Source: StoveKraft RHP, Company data, I-Sec research

### Steady growth in mixer industry and key players

Mixer is one of the most penetrated small kitchen appliances. Market size of the sub-segment was ~Rs44bn in FY20 and is expected to grow at a CAGR of ~8% over FY20-FY25. The growth is attributable to: (1) rising penetration in Indian households, and (2) share gains from unorganised / smaller players.

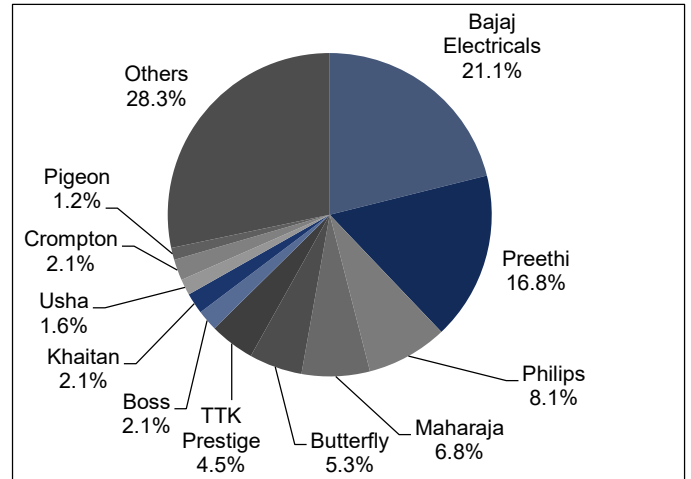
There are multiple Indian brands present in the mixer industry. Bajaj Electricals leads with 21% market share followed by Preethi at ~16.8%.

**Chart 3: Steady growth of mixer industry**



Source: Stovekraft RHP, Company data, I-Sec research

**Chart 4: Market shares in mixer industry**



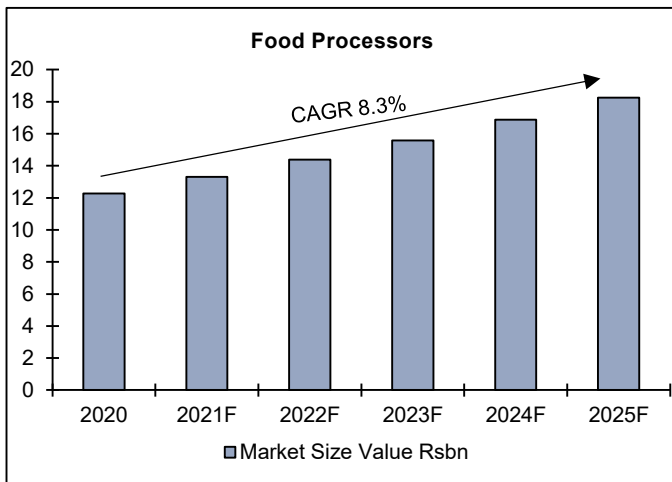
Source: Stovekraft RHP, Company data, I-Sec research

**Steady growth in food processor industry**

The food processor market is relatively less penetrated than mixers and thus provides a better opportunity to consumer durable companies. The sub-segment formed ~14.3% of total small appliances market in India in FY20. It is expected to grow at 8.3% CAGR over FY20-FY25.

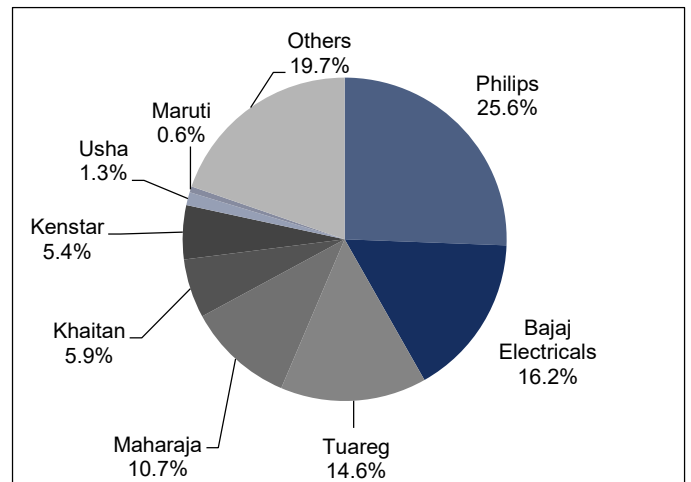
There are multiple MNCs brands in food processor segment such as *Phillips* and *Tuareg* with Philips as the market leader.

**Chart 5: Steady growth of food processor industry**



Source: Stovekraft RHP, Company data, I-Sec research

**Chart 6: Market shares in food processor industry**



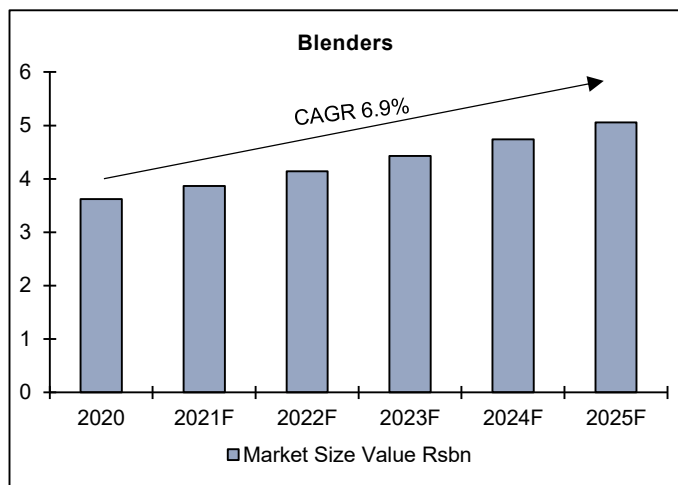
Source: Company data, I-Sec research

### Steady growth in blender industry

Blender market in FY20 was Rs3.6bn with 1.2mn units sold during the year. The market is fairly small, contributing only 4.2% of the small appliances market in FY20. Blender market is expected to grow at 6.9% CAGR over FY20-FY25.

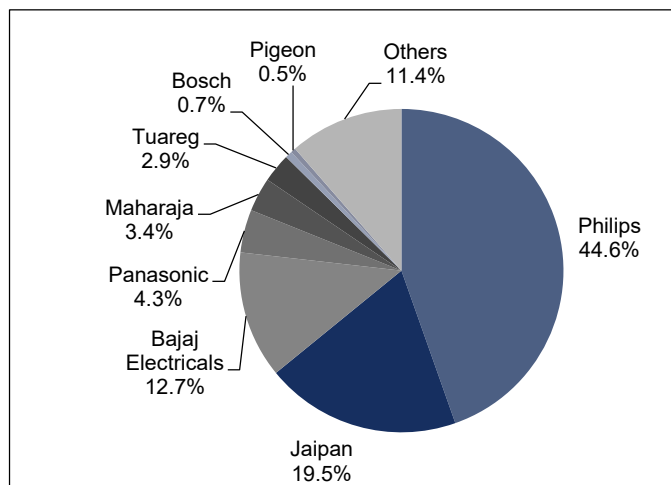
Phillips (44.6%) and Jaipan (19.5%) are the key players in the blender market, accounting for >60% of the total market.

**Chart 7: Steady growth of blender industry**



Source: Stovekraft RHP, Company data, I-Sec research

**Chart 8: Market shares in blender industry**

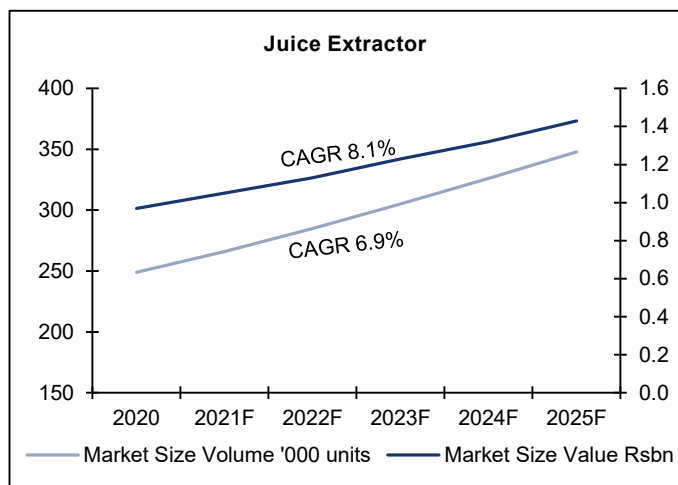


Source: Stovekraft RHP, Company data, I-Sec research

### Juicer is a new sub-segment

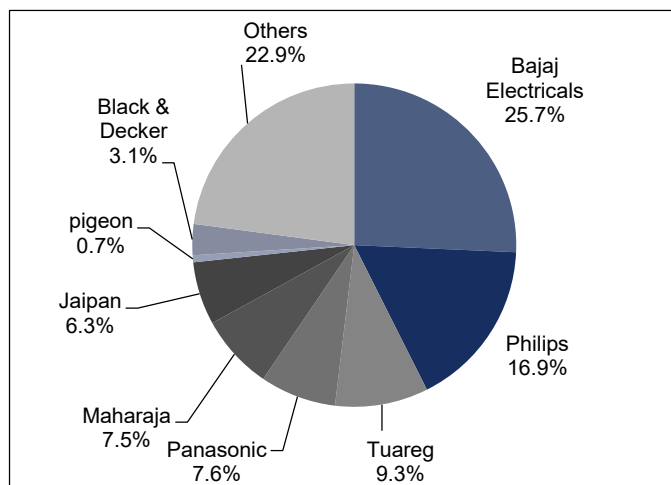
The market size of juicer industry was fairly small at ~Rs1bn in FY20. It is expected to grow at 8.1% CAGR over FY20-FY25. We note change in lifestyle, rising health awareness and low penetration to drive growth for the juicer market in India.

**Chart 9: Steady growth of juicer market**



Source: Stovekraft RHP, Company data, I-Sec research

**Chart 10: Market shares in juicer sub-segment**

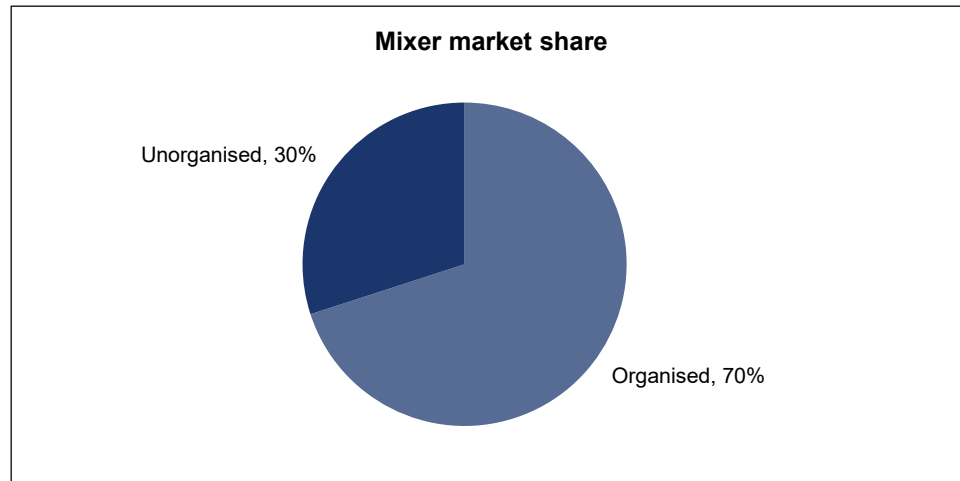


Source: Stovekraft RHP, Company data, I-Sec research

### Shrinking share of unorganised players

The organised market accounts for ~70% of total mixer industry while the rest is unorganised. We model the share of organised players to increase further due to: (1) reduced price gap, and (2) steep inflation in raw material prices and its relatively more impact on unorganised / smaller players.

**Chart 11: Market structure in mixer industry**

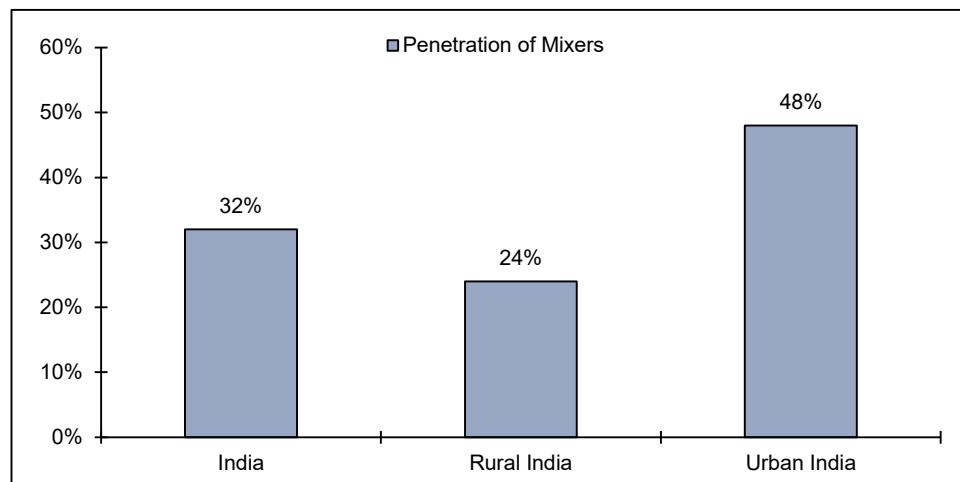


Source: Company data, I-Sec research

### Penetration across urban and rural markets

Household penetration of mixers in India is at 32%. While rural penetration is lower, we note rural India offers substantial growing opportunity due to: (1) rising electrification in rural areas, (2) rising income levels, (3) growing distribution in the rural areas, and (4) favourable base.

**Chart 12: Penetration of mixers across regions**

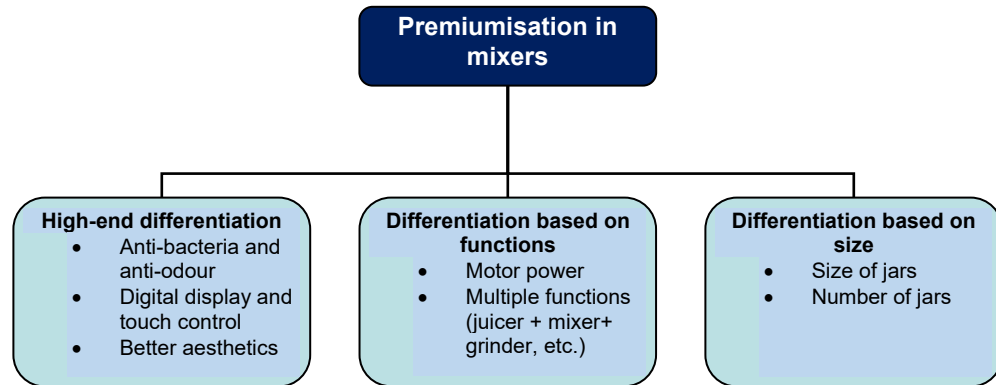


Source: Company data, I-Sec research

### Differentiation is key growth driver

The mixer industry is moving towards premiumisation by launches of innovative products. Crompton has launched its *Pro-care* range for anti-bacteria and anti-odour mixers. Havells has launched mixers with digital display and touch control. We note differentiation will improve realisation / margins.

**Chart 13: Premiumisation opportunity in mixers**



Source: Company data, I-Sec research

### Key details about mixer industry

Trade margins in mixers are generally 15-20% and the GST rate is 18%. Most mixer companies spend 2-3% of net sales on brand-building. Another important promise to the consumers is 2-5 years warranty.

**Table 1: Trade margins, promotions and market creation opportunities**

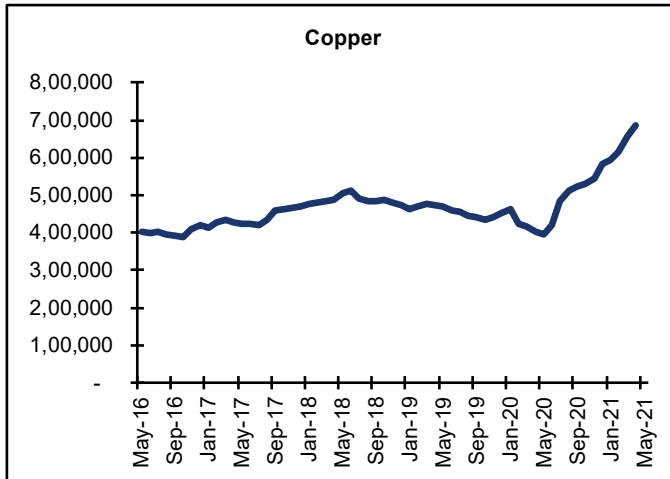
Consumer promotion spend	Particulars
Trade margins	15-20%
Promotions	Some consumer promotions
GST rate	18%
Ad-spend	2-3% of net sales
Promise to consumers	2-5 year warranty

Source: Company data, I-Sec research

### Key raw materials used in mixers

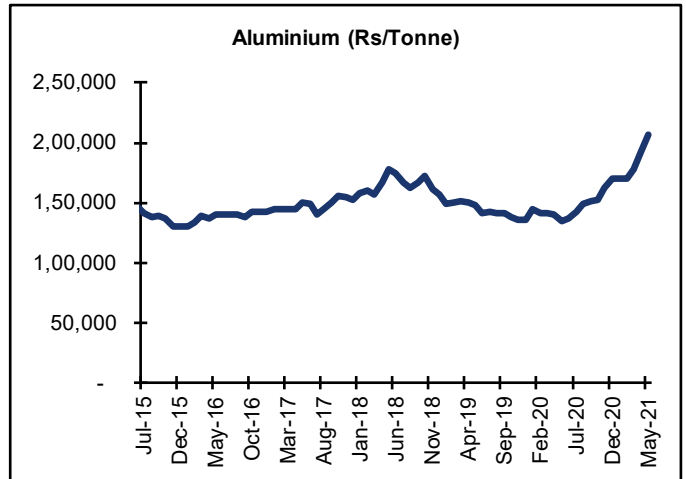
The major raw materials used in mixers are metals such as steel, aluminum and copper. HDPE is used as packaging material.

**Chart 14: Steep inflation in copper prices**



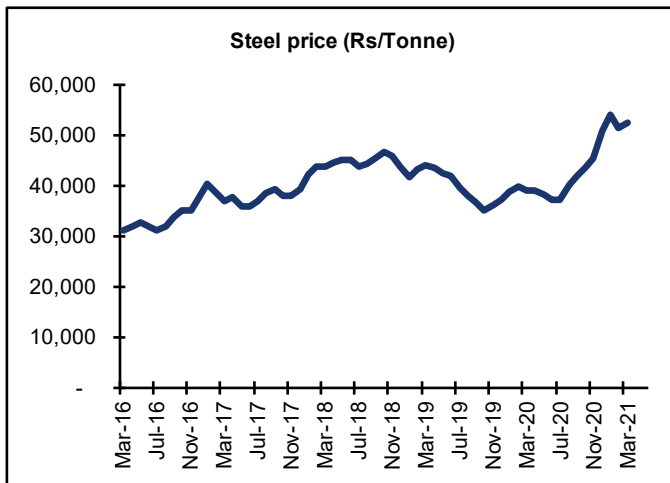
Source: Bloomberg, I-Sec research

**Chart 15: Aluminum prices are moving north**



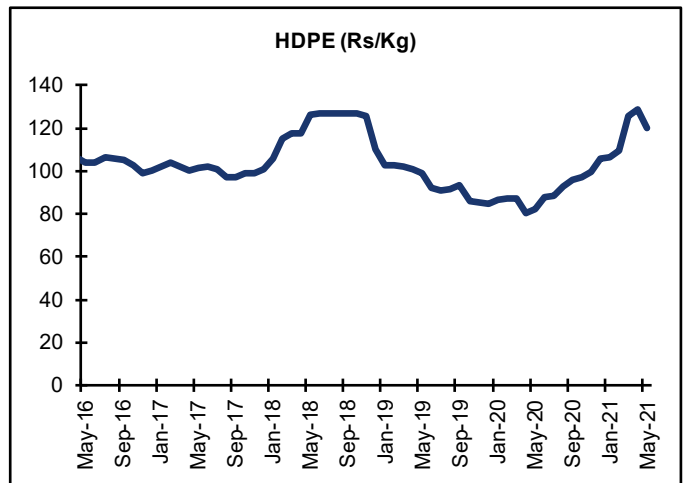
Source: Bloomberg, I-Sec research

**Chart 16: Steel prices are inching upwards**



Source: Bloomberg, I-Sec research

**Chart 17: HDPE prices have sharply risen**



Source: Bloomberg, I-Sec research

## Valuation and risks

We value stocks in the White goods and durables industry on DCF methodology (WACC and TG ranging from 10-13%, 3-6% respectively). Key upside risk: better than expected gross margins due to correction in input prices. Key downside risks: (1) unexpected irrational competition due to deceleration in general consumption demand, and (2) steep inflation in input prices.

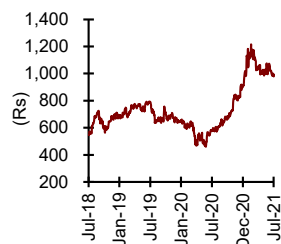
**Table 2: White goods and durables sector – valuation summary**

Company	CMP (Rs)	Rating	RoE (%) FY22E	RoCE (%) FY22E	CAGR FY21-23 (%)			P/E (x)	
					Revenues	EBITDA	PAT	FY22E	FY23E
Havells	1,041	Buy	19.5	22.4	17.5	12.1	17.4	56.1	45.2
Crompton Consumer	452	Add	28.4	37.8	14.6	10.7	7.5	46.0	39.8
V-Guard	258	Hold	18.8	21.6	17.8	15.9	20.8	45.3	37.9
Bajaj Electricals	1,028	Buy	19.0	21.1	15.0	42.1	59.0	33.9	25.6
Whirlpool	2,224	Hold	19.8	20.1	17.2	35.8	44.8	46.4	40.4
TTK Prestige	9,328	Add	16.9	19.7	14.8	14.0	16.5	46.8	41.2

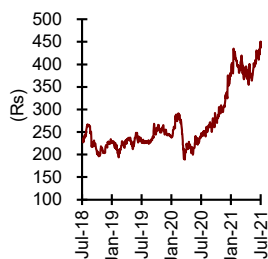
Source: Company data, I-Sec research

### Price charts

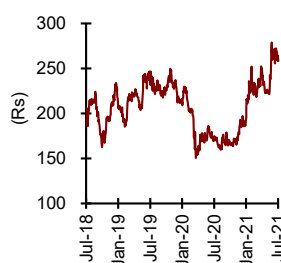
#### Havells



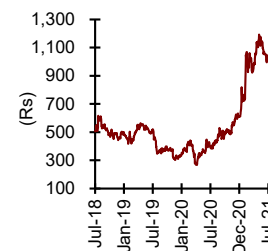
#### Crompton Consumer



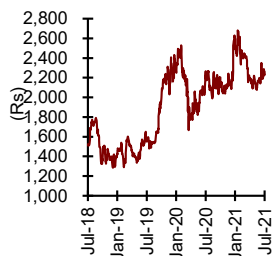
#### V-Guard



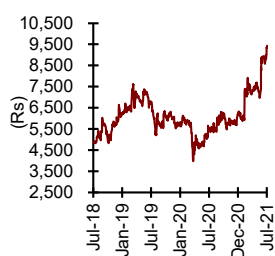
#### Bajaj Electricals



#### Whirlpool



#### TTK Prestige



Source: Bloomberg

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