Capital Goods & Consumer Durables

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2QFY23 Result Preview

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Festive season and strong order booking to drive topline growth; margin pressures starting to ease

Revenue growth for Capital Goods and Consumer Durables sector in 2QFY23 is expected to grow by ~18.5% YoY, backed by strong order booking and festive season. While the Consumer Durables segment is expected to have witnessed strong growth across various categories like WM, Refrigerators, Kitchen Appliances, etc. post Onam, demand for the Consumer Electricals segment is likely to remain muted in 2QFY23 on account of dealer/distributor destocking following a steep correction in copper prices from April-May'22 highs. Growth momentum for the Capital Goods segment is expected to continue on the back of strong order booking. Capital Goods and Consumer Durables sectors are expected to show margin improvement on account of lower commodity cost pressures and easing of supply chain constraints. We predict a sequential improvement in EBITDA margins (+20bps) for our coverage universe due to softer raw material prices. Recovery in the capex cycle, healthy order inflows and adverse impact on working capital will be keenly monitored for the Capital Goods sector. We are factoring in strong growth for Solar Industries (+40% YoY), which reflects better off-take from Coal India and improved realizations. Triveni Turbine (+30% YoY) will benefit from improved execution post strong order inflows. We expect Power Mech Projects to post strong growth (+40%) on the back of a robust order book post FGD order win from the Adani Group.

(Rs mn)	(Rs)		Revenue			EBITDA			EBITDA Margin (%)			PAT		
Companies	TP	Rating	2QFY23E	YoY (%)	QoQ (%)	2QFY23E	YoY (%)	QoQ (%)	2QFY23E	1QFY23	2QFY22	2QFY23E	YoY (%)	QoQ (%)
Capital Goods														
Apar Industries	1,335	Acc	29,069	28.1	-6.0	1,889	48.1	-20.4	6.5	7.7	5.6	846	48.7	-30.9
KEC International	460	Acc	40,897	14.0	23.3	2,249	-11.1	33.5	5.5	5.1	7.1	813	-28.0	162.2
Power Mech Projects	2,135	Buy	7,551	40.0	1.1	868	50.3	4.0	11.5	11.2	10.7	456	68.7	15.5
Solar Industries India	4,250	Buy	11,027	40.0	-31.7	1,985	50.7	-29.9	18.0	17.5	16.7	1,155	56.5	-32.2
Thermax	2,463	Acc	18,302	24.6	10.6	1,225	11.3	27.5	6.7	5.8	7.5	836	-4.9	41.8
Triveni Turbine	260	Buy	2,684	30.0	3.6	523	31.1	7.6	19.5	18.8	19.3	405	61.1	5.9
Consumer Durables														
Amber Enterprises India	2,560	Acc	8,725	48.5	-52.2	524	52.6	-47.2	6.0	5.4	5.8	104	39.3	-75.3
Blue Star	1,340	Buy	14,994	20.9	-23.9	975	37.8	-21.0	6.5	6.3	5.7	504	59.7	-32.3
Dixon Technologies	4,650	Acc	36,449	30.0	27.7	1,385	25.9	38.3	3.8	3.5	3.9	745	18.9	63.0
IFB Industries	1,250	Buy	11,496	20.0	10.0	402	-42.0	18.5	3.5	3.2	7.2	69	-71.9	248.0
Johnson Hitachi	1,670	Acc	4,767	20.0	-52.8	95	67.8	-30.2	2.0	1.4	1.4	-56	-39.6	NA
Voltas	960	Buy	19,424	15.0	-29.8	1,263	-2.2	-28.7	6.5	6.4	7.6	960	-7.4	-11.9
Whirlpool of India	1,110	Acc	18,812	17.1	-9.6	1,260	-2.6	-4.3	6.7	6.3	8.1	780	-11.9	-6.8
Stove Kraft	1,960	Buy	4,717	30.0	71.5	507	24.8	134.8	10.7	7.8	11.2	282	23.2	251.8
Consumer Electricals														
Bajaj Electricals	1,285	Acc	13,424	4.0	9.3	819	4.1	15.1	6.1	5.8	6.1	644	1.6	27.3
Crompton Consumer	550	Buy	18,239	31.7	-2.1	2,189	2.2	-0.5	12.0	11.8	15.5	1,266	-20.3	-0.6
Havells India	1,500	Acc	35,431	10.0	-16.2	3,366	-24.1	-6.9	9.5	8.5	13.8	2,292	-23.7	-5.1
Orient Electric	390	Buy	6,241	5.0	0.4	437	-29.4	14.5	7.0	6.1	10.4	200	-42.5	5.7
Polycab India	2,845	Acc	30,817	2.5	12.6	3,575	22.0	14.9	11.6	11.4	9.7	2,385	22.2	8.5
V-Guard Industries	265	Acc	9,481	5.0	-6.1	806	-13.9	-1.5	8.5	8.1	10.4	528	-10.7	-2.2
Our coverage universe			**3,42,547**	**18.5**	**-5.4**	**26,341**	**5.6**	**-2.5**	**7.7**	**7.5**	**8.6**	**15,214**	**-0.4**	**-0.9**

Source - Nirmal Bang Institutional Equities Research

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