



TM

14 July 2023

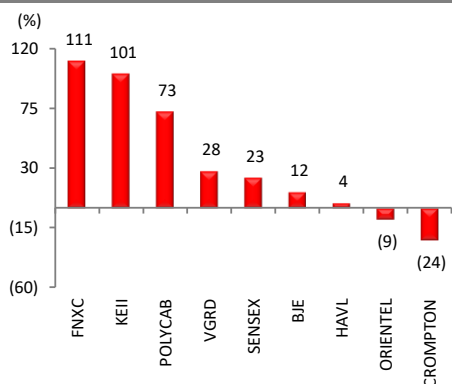
## Consumer Electricals

### Healthy growth in C&W to sustain; FMEG, white goods in slow lane

#### SECTOR UPDATE

##### Industry Consumer Electricals

##### CE - stock price performance (1-year)



Source: BSE

##### Change in recommendation and target price

Company	Old Reco	New Reco	Old TP (Rs)	New TP (Rs)	Upside (%)
Bajaj Electricals (BJE)	Buy	Buy	1,347	1,419	14
Crompton Consumer (CROMPTON)	Hold	Hold	288	323	11
Finolex Cables (FNXC)	Hold	Hold	893	939	9
Havells (HAVL)	Hold	Hold	1,269	1,359	7
KEI Industries (KEII)	Hold	Hold	1,909	2,444	0
Orient Electric (ORIENTEL)	Hold	Hold	227	260	0
Polycab (POLYCAB)	Hold	Hold	3,533	3,768	(1)
V-Guard (VGRD)	Hold	Hold	268	286	(0)

##### 1QFY24 result preview and outlook

**ECD – weak demand; small margin uptick on low base:** Weak consumer sentiment continued to hurt demand for ECD products. Unseasonal rains too hurt demand of cooling products such as fans and coolers. While high channel inventory of non-star rated fans got liquidated during the quarter, companies became aggressive on pricing, discounts and schemes to push star rated fans volumes. Traction in B2C lighting stayed healthy, with B2B and B2G seeing higher ordering. Significant price correction pose a risk on revenue growth in FY24. Weakness in kitchen appliances extended in 1Q as well. Demand in mass segment remained softer than those for premium products. Expecting soft demand, we estimate our coverage universe to report a low 4% YoY (2% QoQ) revenue growth led by diversified players such as BJE and HAVL. On a low base, margins would normalize for all players. ([Preview table](#))

**C&W – strong performance to continue:** A ~6% QoQ decline (down ~3% YoY) in copper prices in 1Q on a 3-month average rolling basis led to healthy growth in C&W category. Demand from the housing and infrastructure sectors stayed healthy. Demand from export markets was also strong. We expect the segment revenue of 5 companies under coverage to grow at a healthy 13% YoY, led by POLYCAB and KEII. Margins are expected to be broadly stable. ([Preview table](#))

**White goods – erratic weather impacted demand for cooling products:** Unseasonal rain impacted demand of cooling products such as RAC, refrigerator and coolers. RAC volumes in April and May were significantly impacted; a bounce in June was not enough to meet company's earlier guidance of 15-20% YoY growth. This also led to intensifying competition which could hurt companies margins as well on aggressive pricing action, discounts and schemes. Companies are now hoping for demand revival during the upcoming festive season.

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## Valuation Tables

Exhibit 1: Valuation table – 1

	M-cap (Rs bn)	CMP 13-Jul	Rating	TP (Rs)	Upside (%)	T PE FY25E (x)	1-yr forward PE (5-year)			P/E			RoIC (%)	
							Mean	+1 SD	-1 SD	FY23	FY24E	FY25E	FY23	FY25E
Bajaj Electricals	143	1,245	Buy	1,419	14	32	50	72	29	66	37	28	13	23
Crompton Consumer	184	290	Hold	323	11	28	37	48	26	40	30	25	13	21
Finolex Cables	132	865	Hold	940	9	18	14	18	10	26	20	17	15	22
Havells	797	1,273	Hold	1,359	7	45	54	66	42	74	51	42	23	37
KEI Industries	220	2,436	Hold	2,444	0	32	17	23	12	46	38	32	22	23
Orient Electric	55	259	Hold	260	0	32	49	66	32	73	41	32	18	35
Polycab	572	3,819	Hold	3,768	(1)	32	23	30	16	45	38	32	27	31
V-Guard	124	287	Hold	286	(0)	32	45	51	38	66	39	32	11	16

Source: BSE, Systematix Institutional Research

Exhibit 2: Valuation table – 2

	EPS (Rs)			CAGR (%) (FY18-23)			CAGR (%) (FY23-25E)			RoE (%)		RoCE (%)		EV/EBITDA (x)	
	FY23E	FY24E	FY25E	Rev	EBITDA	PAT	Rev	EBITDA	PAT	FY23	FY25E	FY23	FY25E	FY23	FY25E
Bajaj Electricals	19	34	44	3	4	21	10	25	33	11	19	19	27	39	20
Crompton Consumer	7	10	12	14	10	9	8	13	17	17	21	16	23	24	16
Finolex Cables	33	43	52	10	3	9	8	13	17	12	14	13	15	23	15
Havells	17	25	30	16	9	10	8	19	21	16	22	22	30	49	28
KEI Industries	53	63	76	15	16	27	10	12	13	18	18	26	26	31	21
Orient Electric	4	6	8	12	3	4	9	24	32	13	22	22	33	35	18
Polycab	85	100	118	16	21	29	9	11	12	19	19	28	28	30	21
V-Guard	4	7	9	12	11	7	11	23	27	12	18	15	21	21	21

Source: Systematix Institutional Research

## Consumer Electricals - Stock price performance

	1-month	3-month	6-month	12-month	3-years
KEI Industries	16	39	70	101	528
V-Guard	13	12	12	28	(0)
Finolex Cables	7	3	61	111	202
Polycab	7	24	43	73	366
Orient Electric	6	13	(4)	(9)	48
Bajaj Electricals	5	19	8	12	215
Crompton Consumer	1	(2)	(14)	(24)	18
Havells	(6)	7	7	4	117

Source: BSE

## Consumer Electricals – 1QFY24 Preview - Company-wise quarterly results

(Rs mn)	1QFY21	1QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24E	YoY (%)	QoQ (%)
<b>Coverage (8 companies)</b>									
Revenue	54,911	90,367	1,42,711	1,41,165	1,54,865	1,73,712	1,55,468	9	(11)
EBITDA	3,684	8,626	13,660	13,450	16,244	19,196	16,759	23	(13)
EBITDA margin (%)	6.7	9.5	9.6	9.5	10.5	11.1	10.8		
PAT	2,999	5,633	9,274	8,507	11,422	13,539	11,722	26	(13)
<b>Bajaj Electricals</b>									
Revenue	6,083	8,569	12,291	12,255	14,845	14,901	13,579	10	(9)
Lighting	-	2,157	2,738	2,757	2,700	3,054	2,957	8	(3)
Consumer Products	3,949	5,524	8,554	8,829	10,395	9,865	8,923	4	(10)
EPC	2,133	888	999	669	1,750	1,981	1,699	70	(14)
EBITDA	(218)	6	748	956	1,017	856	935	25	9
EBITDA margin (%)	(3.6)	0.1	6.1	7.8	6.9	5.7	6.9		
PAT	(159)	(219)	430	602	611	519	557	30	7
<b>Crompton Consumer</b>									
Revenue	7,201	10,505	18,629	16,995	15,162	17,910	19,183	3	7
ECD	5,965	8,844	13,472	10,622	10,201	13,257	14,011	4	6
Lighting	1,236	1,661	2,623	2,696	2,477	2,786	2,739	4	(2)
Butterfly Products	768	1,365	2,535	3,677	2,484	1,867	2,434	(4)	30
EBITDA	1,012	1,250	2,199	1,931	1,524	2,114	2,252	2	6
EBITDA margin (%)	14.1	11.9	11.8	11.4	10.1	11.8	11.7		
PAT	748	948	1,260	1,307	882	1,316	1,378	9	5
<b>Finolex Cables</b>									
Revenue	3,771	6,754	10,157	10,908	11,503	12,243	11,139	10	(9)
Electrical wires	3,317	5,576	8,265	8,784	9,468	10,318	9,092	10	(12)
Communication cables	273	875	1,336	1,586	1,469	1,400	1,469	10	5
ECD + Lighting	164	275	503	483	515	453	528	5	16
EBITDA	345	703	1,191	987	1,459	1,457	1,400	18	(4)
EBITDA margin (%)	9.2	10.4	11.7	9.0	12.7	11.9	12.6		
PAT	445	869	1,196	554	1,543	1,750	1,617	35	(8)
<b>Havells</b>									
Revenue	14,791	25,982	42,301	36,689	41,197	48,496	45,169	7	(7)
ECD + Lighting	7,118	12,966	19,535	18,955	21,008	20,174	20,798	6	3
Cables & Wires	4,611	8,072	11,929	13,594	14,121	15,682	12,884	8	(18)
Lloyd	3,062	4,944	10,837	4,141	6,068	12,640	11,487	6	(9)
EBITDA	1,309	3,531	3,614	2,871	4,237	5,308	4,561	26	(14)
EBITDA margin (%)	8.8	13.6	8.5	7.8	10.3	10.9	10.1		
PAT	633	2,343	2,424	1,869	2,840	3,617	3,093	28	(14)
<b>KEI Industries</b>									
Revenue	7,453	10,176	15,654	16,081	17,843	19,545	17,606	12	(10)
Cables & Wires	6,510	8,910	14,170	14,480	16,440	17,600	16,052	13	(9)
Stainless steel wires	210	480	610	700	540	630	641	5	2
EPC	780	860	840	910	950	1,350	924	10	(32)
EBITDA	763	1,137	1,596	1,606	1,822	2,038	1,887	18	(7)
EBITDA margin (%)	10.2	11.2	10.2	10.0	10.2	10.4	10.7		
PAT	392	671	1,038	1,069	1,286	1,381	1,283	24	(7)
<b>Orient Electric</b>									
Revenue	1,788	4,223	6,216	5,106	7,390	6,579	6,474	4	(2)
ECD	1,035	3,241	4,453	3,100	5,388	4,577	4,676	5	2
Lighting & Switchgear	753	982	1,763	2,006	2,003	2,003	1,798	2	(10)
EBITDA	(193)	223	382	116	549	464	475	25	3
EBITDA margin (%)	(10.8)	5.3	6.1	2.3	7.4	7.0	7.3		
PAT	(273)	50	190	(3)	326	246	251	32	2

(Rs mn)	1QFY21	1QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24E	YoY (%)	QoQ (%)
<b>Polycab</b>									
Revenue	9,766	18,552	27,366	33,324	37,152	43,237	31,985	17	(26)
Cables & Wires	8,252	16,269	24,057	29,517	33,418	40,783	28,201	17	(31)
ECD + Lighting	1,378	1,919	3,082	3,054	3,420	3,052	3,236	5	6
EPC	534	718	999	1,051	1,260	1,338	1,198	20	(10)
EBITDA	575	1,342	3,111	4,276	5,038	6,095	4,316	39	(29)
EBITDA margin (%)	5.9	7.2	11.4	12.8	13.6	14.1	13.5		
PAT	1,176	724	2,198	2,678	3,576	4,248	2,971	35	(30)
<b>V-Guard</b>									
Revenue	4,058	5,607	10,096	9,807	9,772	10,801	10,333	2	(4)
Electronics (stabiliser, inverter etc.)	1,377	1,590	3,034	2,274	1,929	2,758	3,095	2	12
Electricals (wires, switchgears etc.)	1,827	2,520	4,072	4,161	4,306	5,181	4,398	8	(15)
ECD + Lighting	855	1,497	2,991	3,372	3,537	2,862	2,841	(5)	(1)
EBITDA	91	434	819	707	598	865	934	14	8
EBITDA margin (%)	2.2	7.7	8.1	7.2	6.1	8.0	9.0		
PAT	36	246	540	431	358	463	573	6	24

Source: Company, Systematix Institutional Research; **Note:** For Crompton, Butterfly acquisition is effective from 1QFY23. Earlier quarter number are for comparison purpose

### Cables & Wires – Revenue quarterly trend

(Rs mn)	1QFY21	1QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24E	YoY (%)	QoQ (%)
Finolex Cables	3,317	5,576	8,265	8,784	9,468	10,318	9,092	10	(12)
Havells	4,611	8,072	11,929	13,594	14,121	15,682	12,884	8	(18)
KEI Industries	6,510	8,910	14,170	14,480	16,440	17,600	16,052	13	(9)
Polycab	8,252	16,269	24,057	29,517	33,418	40,783	28,201	17	(31)
V-Guard	1,827	2,520	4,072	4,161	4,306	5,181	4,398	8	(15)
<b>Total</b>	<b>24,517</b>	<b>41,347</b>	<b>62,493</b>	<b>70,536</b>	<b>77,754</b>	<b>89,563</b>	<b>70,625</b>	<b>13</b>	<b>(21)</b>

Source: Company, Systematix Institutional Research

### ECD + Lighting – Revenue quarterly trend

(Rs mn)	1QFY21	1QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24E	YoY (%)	QoQ (%)
Bajaj Electricals	3,949	7,681	11,292	11,586	13,095	12,920	11,880	5	(8)
Crompton Consumer	7,201	10,505	16,094	13,319	12,678	17,910	19,183	3	7
Finolex Cables	164	275	503	483	515	453	528	5	16
Havells	7,118	12,966	19,535	18,955	21,008	20,174	20,798	6	3
Orient Electric	1,788	4,223	6,216	5,106	7,390	6,579	6,474	4	(2)
Polycab	1,378	1,919	3,082	3,054	3,420	3,052	3,236	5	6
V-Guard	855	1,497	2,991	3,372	3,537	2,862	2,841	(5)	(1)
<b>Total</b>	<b>22,453</b>	<b>39,066</b>	<b>59,712</b>	<b>55,873</b>	<b>61,643</b>	<b>63,950</b>	<b>64,940</b>	<b>4</b>	<b>2</b>

Source: Company, Systematix Institutional Research

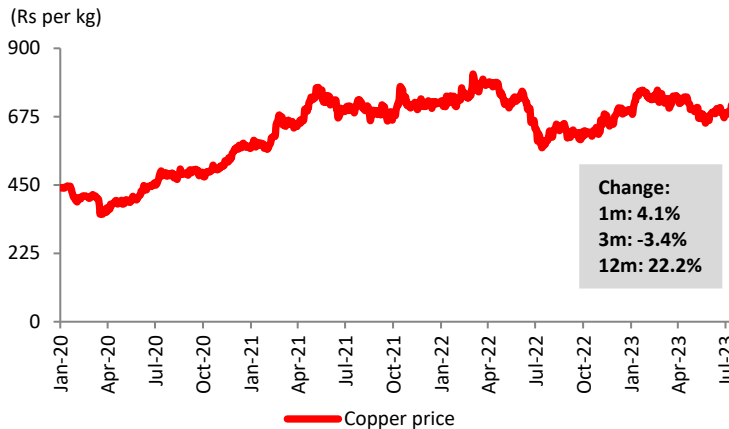
## Consumer Electricals - Systematix vs. Bloomberg estimates

(Rs mn)	Systematix estimates		Bloomberg estimates		% Variance with Systematix	
	FY24	FY25	FY24	FY25	FY24	FY25
<b>Bajaj Electricals</b>						
Total Income	62,320	71,915	61,734	70,147	(1)	(2)
EBITDA	5,615	6,998	5,003	6,188	(11)	(12)
EBITDA margin (%)	9.0	9.7	8.1	8.8		
PAT	3,897	5,102	3,366	4,259	(14)	(17)
EPS (Rs)	33.9	44.3	31.0	38.3		
<b>Crompton Consumer</b>						
Total Income	76,944	86,181	71,224	79,291	(7)	(8)
EBITDA	9,702	11,151	8,841	10,229	(9)	(8)
EBITDA margin (%)	12.6	12.9	12.4	12.9		
PAT	6,050	7,336	5,865	7,017	(3)	(4)
EPS (Rs)	9.5	11.5	9.2	11.1		
<b>Finolex Cables</b>						
Total Income	50,789	57,013	50,969	58,034	0	2
EBITDA	6,136	7,281	6,152	7,399	0	2
EBITDA margin (%)	12.1	12.8	100.0	100.0		
PAT	6,610	7,977	6,286	7,628	(5)	(4)
EPS (Rs)	43.2	52.2	40.5	49.2		
<b>Havells</b>						
Total Income	1,90,402	2,14,403	1,92,265	2,18,996	1	2
EBITDA	22,807	26,805	21,670	26,469	(5)	(1)
EBITDA margin (%)	12.0	12.5	37.0	36.2		
PAT	15,712	18,921	14,815	18,290	(6)	(3)
EPS (Rs)	25.1	30.2	23.9	29.7		
<b>KEI Industries</b>						
Total Income	79,209	90,893	80,600	94,037	2	3
EBITDA	8,413	10,017	8,649	10,334	3	3
EBITDA margin (%)	10.6	11.0	10.7	11.0		
PAT	5,706	6,888	5,785	6,875	1	(0)
EPS (Rs)	63.3	76.4	65.5	79.7		
<b>Orient Electric</b>						
Total Income	29,085	32,844	29,528	33,303	2	1
EBITDA	2,376	2,913	2,323	3,077	(2)	6
EBITDA margin (%)	8.2	8.9	7.9	9.2		
PAT	1,357	1,726	1,357	1,742	0	1
EPS (Rs)	6.4	8.1	6.0	8.1		
<b>Polycab</b>						
Total Income	1,60,628	1,82,895	1,62,533	1,84,696	1	1
EBITDA	21,650	25,273	20,928	24,271	(3)	(4)
EBITDA margin (%)	13.5	13.8	12.9	13.1		
PAT	14,937	17,636	14,413	16,804	(4)	(5)
EPS (Rs)	99.7	117.8	96.1	111.9		
<b>V-Guard</b>						
Total Income	50,331	57,103	48,857	55,026	(3)	(4)
EBITDA	5,002	6,013	4,598	5,502	(8)	(8)
EBITDA margin (%)	9.9	10.5	9.4	10.0		
PAT	3,181	3,862	2,786	3,457	(12)	(10)
EPS (Rs)	7.4	8.9	6.7	8.2		

Source: Bloomberg, Systematix Institutional Research

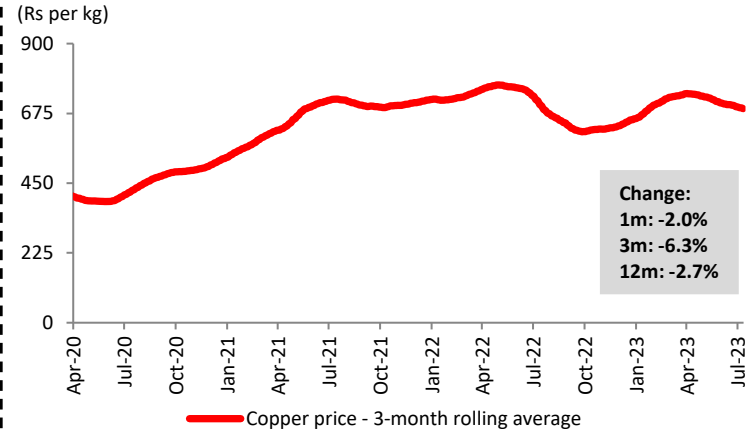
## Commodity prices, currency movement

Exhibit 3: LME Copper price



Source: Bloomberg

Exhibit 4: LME Copper price - 3-month rolling average



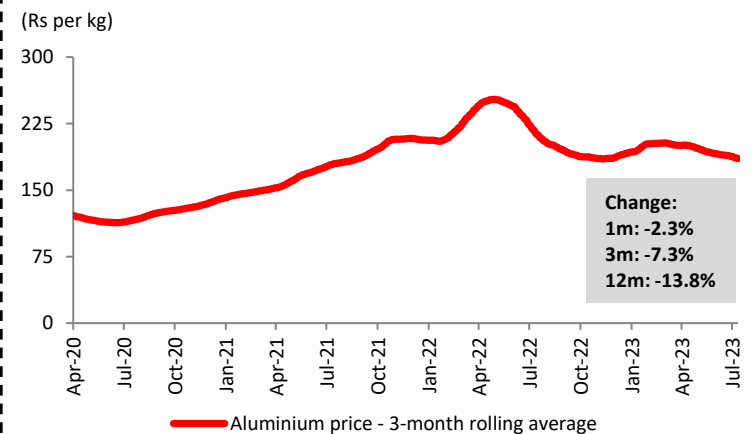
Source: Bloomberg

Exhibit 5: LME Aluminium price



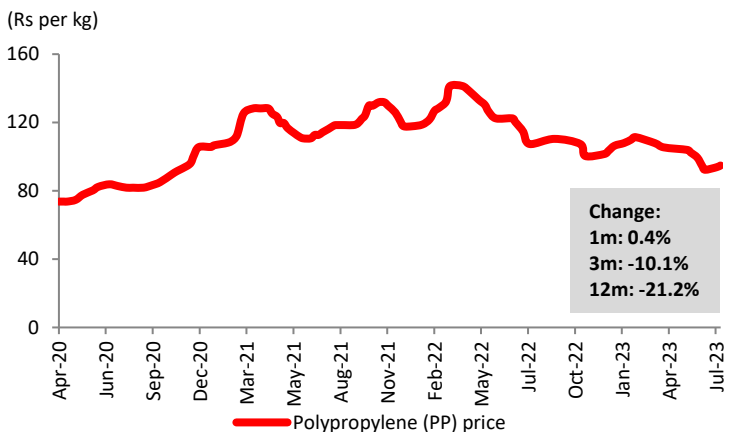
Source: Bloomberg

Exhibit 6: LME Aluminium price - 3-month rolling average



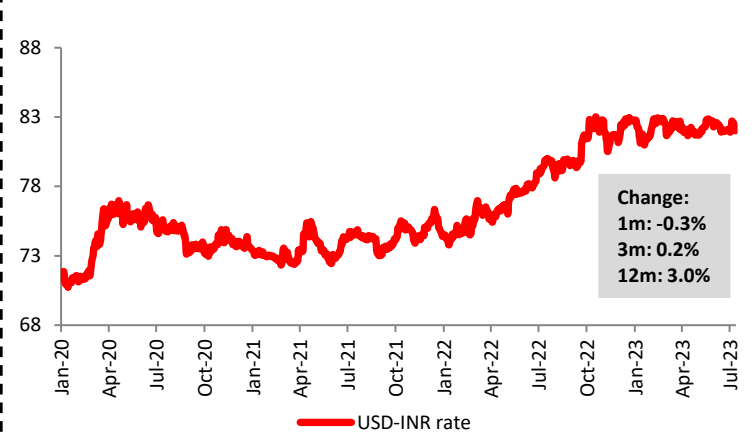
Source: Bloomberg

Exhibit 7: Polypropylene (PP) price



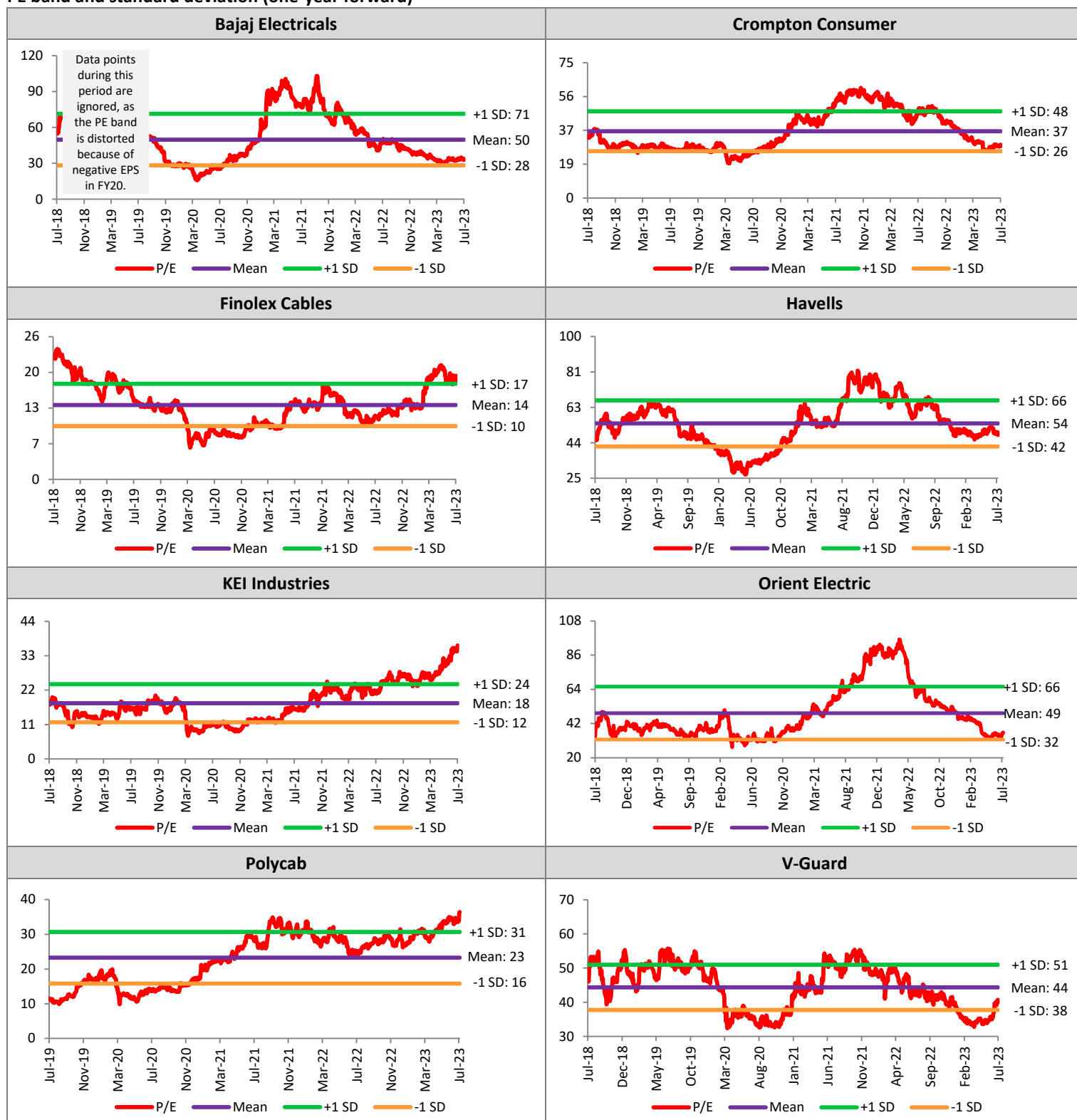
Source: Bloomberg

Exhibit 8: USD-INR rate



Source: Bloomberg

## PE band and standard deviation (one-year forward)



Source: BSE, Systematix Institutional Research



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