## CONSUMER DURABLES

12 October 2023

# Channel check: Festive season outlook mixed

- **Dealers saw a pickup in sales of ACs and fans in Q2FY24 due to unusually dry weather; premiumisation continues**
- **Wires and cables remain in demand due to government's infrastructure push and private capex**
- **New exchange offers, discounts and flexible payment options on the menu this festive season as retailers seek to drum up sales**

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We interacted with several dealers of large appliances across various regions in India to assess the demand climate in Q2FY24. Key takeaways:

**Outlook on festive demand mixed:** Our channel checks with consumer durable dealers point to a mixed outlook for the current festive season. While dealers did indicate a pickup in sales of cooling products, they anticipate sluggish growth in other large appliances and hence have not stocked up on much inventory.

**Summer products did better in Q2:** The industry saw weak growth in Q1FY24 due to unseasonal rains across the country. However, dry weather conditions in some regions during Q2 – a seasonally weak quarter – have led to higher demand for cooling products such as air conditioners and fans. Our checks suggest that customers are now fully aware of the energy rating changes in fans, which is driving enquiries for new-rated and BLDC products. Per dealers, CROMPTON maintains its leadership in the economic fan category that commands 40% market share.

**Sustained momentum in wires & cables:** Domestic demand for wires & cables is likely to remain robust led by improving trends in capex and real estate. Dealers indicated strong volume growth during Q2, particularly for top brands such as Polycab, KEI and Finolex, though pricing fell due to a ~10% YoY correction in copper prices.

**World Cup fever fuelling TV demand:** Demand for televisions has risen as the Cricket World Cup is coinciding with the festive season. Big-screen TVs are seeing more traction than smaller screens, and our checks suggest that prices of older models have fallen 20%.

**Kitchen appliances steady:** Dealers expect high-single-digit growth in kitchen appliances this festive season. Butterfly has improved post-acquisition by CROMPTON.

**Attractive offers to lift sales:** Retailers have ramped up festive season offers on consumer products in a bid to boost sales, which include attractive exchange schemes, staggered payment options and deeper weekend discounts.

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