

CONSUMER DURABLES

17 May 2022

EESL's retail push unlikely to shake up the market

- EESL plans to expand its footprint in B2C retail with products such as smart bulbs, energy-efficient ACs and fans
- In our view, this merely adds one more player and is unlikely to distort the industry in a major way
- HAVL, VOLT and POLYCAB feature among our top picks in consumer durables

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EESL announces major retail push...: State-run Energy Efficiency Services (EESL) – the organisation responsible for implementation of the government's Ujala scheme – plans to increase its presence in the B2C retail space through offline and online channels, with products such as smart bulbs, inverter bulbs, energy-efficient ACs, fans and induction cooking stoves. EESL already has an online presence through EESLmart.in and the company now plans to set up 1,000 brick-and-mortar shops across the country in the next three years, as per media articles.

...and can emerge as a competitor: The new stores will be a combination of own outlets, franchises and tie-ups with the Department of Posts and CSC (Common Service Centre). These two entities had assisted in the distribution of LED bulbs under the Ujala scheme. While EESL would be the front end, it intends to invite tenders from manufacturing companies to make energy-efficient products.

No material impact on sector dynamics: Growth in Indian consumer durables still remains largely secular, driven by under-penetration of these products, and the addition of one more player is unlikely to disrupt the market in a major way. Almost all players have similar energy-efficient products on offer and are fully geared for any potential energy rating changes in the near term. Pricing may be one aspect that could face some disruption but despite its competitive nature, the consumer durables sector has historically maintained price discipline and we expect this trend to continue.

Our picks – HAVL, VOLT, POLYCAB: In an inflationary environment where companies are grappling with raw material cost challenges, we prefer the larger players in their respective segments. We rate the following stocks as top picks from among those on which we have assumed coverage – HAVL (BUY, TP Rs 1,500), VOLT (BUY, TP Rs 1,250) and POLYCAB (BUY, TP Rs 3,000).

Recommendation snapshot

Ticker	Price	Target	Rating
AMBER IN	2,704	3,500	HOLD
BLSTR IN	1,009	1,200	HOLD
CROMPTON IN	352	621	BUY
DIXON IN	3,343	5,431	HOLD
HAVL IN	1,236	1,500	BUY
ORIENTEL IN	287	350	HOLD
POLYCAB IN	2,572	3,000	BUY
VGRD IN	213	321	BUY
VOLT IN	952	1,250	BUY
WHIRL IN	1,547	2,901	BUY

Price & Target in Rupees | Price as of 16 May 2022



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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