

CONSUMER DURABLES

30 September 2022

Sep'22 Roundup: Demand indicators strong

- Positive momentum in housing and jobs creation augurs well for long-term demand of consumer durables
- Vedanta-Foxconn semiconductor JV a structural positive for the durables sector as it marks the onset of local semiconductor supply
- We continue to prefer leaders in respective categories: HAVL, CROMPTON and POLYCAB

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Our Sep'22 Roundup summarises select consumer durables reports published during the month. Follow the links in the headlines below for the full reports.

Vedanta-Foxconn JV to aid localisation of appliances: The Vedanta-Foxconn semiconductor JV is a key long-term positive for the consumer durables sector as it marks the onset of local semiconductor supply. The JV targets production of 28nm chips used in TVs, ACs, trains, robots and drones – the very areas India aims to indigenise. Proposed 80% output reservation for the domestic market could catalyse local manufacturing of various consumer durable appliances.

SYRMA – niche EMS player: We interacted with the management of Syrma SGS (SYRMA, Not Rated), a leading EMS player with best-in-class EBITDA margins of 11-13% vs. 4-8% for listed peers. It offers a diverse product suite across industrial, auto, consumer electronic and medical applications. FY23 revenue is guided to grow on par with industry at 40%, with ODM share in the mix stable at >25%.

Appliances fuel energy savings: India is among the few countries to fulfil its energy intensity mitigation target up to 2020. Energy intensity has declined at a 3% CAGR vs. FY13 and a 5% CAGR vs. FY07. Consumer durables accounted for 35% of India's power savings in 2020 spurred by product labelling norms.

Formal jobs data encouraging: Employment generation in India's formal sector hit a record 1.8mn in July vs. a monthly run-rate of 0.7mn over the past four years, per EPFO. Jobs data points to growth in the manufacturing and services sectors as well as greater formalisation of the economy. As rising employment lifts income levels, we expect demand for appliances to gather pace.

Real estate uptrend heralds stronger durables demand: Housing sales – a key demand indicator for consumer durables – are on a long-term secular growth path, per RBI pricing data. Non-metro cities are seeing sharper price recovery post pandemic vs. the five metros due to better affordability and the rise of hybrid workplaces.

Recommendation snapshot

Ticker	Price	Target	Rating
AMBER IN	2,297	2,300	HOLD
BLSTR IN	1,097	1,100	HOLD
CROMPTON IN	414	500	BUY
DIXON IN	4,263	4,500	BUY
HAVL IN	1,334	1,500	BUY
ORIENTEL IN	275	310	HOLD
POLYCAB IN	2,587	3,000	BUY
VGRD IN	235	250	HOLD
VOLT IN	901	1,100	HOLD

Price & Target in Rupees | Price as of 29 Sep 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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