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CONSUMER DURABLES | Q3FY24 Review | 22 February 2024

Cables, wires and EMS lead Q3 growth

- **Our consumer durables universe grew 25% YoY in Q3, once again led by demand for EMS, cables and wires**
- **We expect Q4 to be better across categories such as ACs and fans with the onset of summer**
- **HAVL remains our pick in the durables space as a play on expected demand recovery**

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C&W and EMS lead aggregate revenue growth: Our consumer durables coverage grew 25% YoY on average in Q3FY24, underpinned by the cables & wires (C&W) and electronics manufacturing services (EMS) segments. Aggregate EMS revenue grew 60% YoY in Q3. Domestic C&W demand was also robust amid improving trends in capex and real estate, with aggregate revenue growth of 14% YoY despite a 6% correction in copper prices (pass-through) during the quarter.

No major price hikes taken in Q3: Most players did not take major price hikes during the quarter, which resulted in aggregate gross margin contraction of ~100bps YoY. Coupled with higher A&P spends, EBITDA margin dipped by a similar ~100bps.

BLSTR continues to stand out in room AC segment: Backed by volume growth, BLSTR's unitary cooling products (UCP) topline increased 35% YoY to Rs 9.6bn, which compares favourably with VOLT's 21% and Llyod's 8% YoY growth for the quarter. The company's EBIT margin was flattish YoY at 7.1%, whereas VOLT reported an increase of 90bps to 8.3%. Lloyd continues to report losses.

DIXON leads the EMS pack: EMS companies under our coverage delivered a robust performance in Q3, growing 35% YoY. DIXON, which accounts for 51% of our EMS universe revenue, looks to maintain strong return ratios and positive cash flow. AMBER's focus is on expanding its non-AC businesses where it saw 20bps EBITDA margin improvement. SYRMA saw 380bps margin slippage due to a change in revenue mix toward the consumer business.

FMEG remains a drag: In fast-moving electric goods (FMEG), apart from a robust showing in C&W, the ECD and lighting businesses delivered weak growth, at 4% and 3% respectively. Price deflation in LEDs hurt the segment's topline. With the onset of summer, fans are expected to do well and lift ECD revenue in Q4FY24.

HAVL our pick: We expect the sector to recover as the onset of summer strengthens demand for cooling products such as ACs and fans. HAVL (TP Rs 1,600) remains our top pick in the durables space as a play on the likely revival in demand.

Recommendation snapshot

Ticker	Price	Target	Rating
AMBER IN	3,955	3,200	SELL
CROMPTON IN	290	330	BUY
HAVL IN	1,415	1,600	BUY
KEII IN	3,210	3,120	HOLD
ORIENTEL IN	204	240	HOLD
POLYCAB IN	4,717	5,200	BUY
SYRMA IN	517	550	HOLD
VGRD IN	313	310	HOLD
VOLT IN	1,107	1,060	HOLD

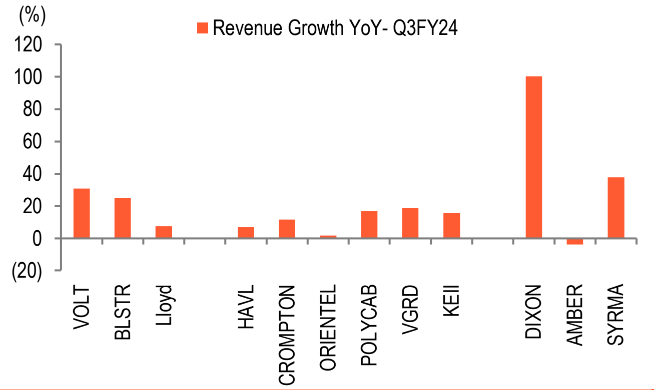
Price & Target in Rupees | Price as of 21 Feb 2024

Consumer durables: Q3 result reviews

Company	Result review link
AMBER IN	Persistent near-term challenges; cut to SELL
BLSTR IN	Purple patch continues; maintain BUY
CROMPTON IN	Slowdown at BGAL weighs on quarter
DIXON IN	Mobile business dials up growth; maintain BUY
HAVL IN	Slow quarter but summer could bring cheer; maintain BUY
KEII IN	Decent quarter; maintain HOLD
ORIENTEL IN	Slow quarter; Hyderabad plant to spur growth
POLYCAB IN	Fair quarter but I-T search clouds multiples
SYRMA IN	Margin slide continues; retain HOLD
VGRD IN	In-line quarter
VOLT IN	UCP improving, Qatar business a dampener

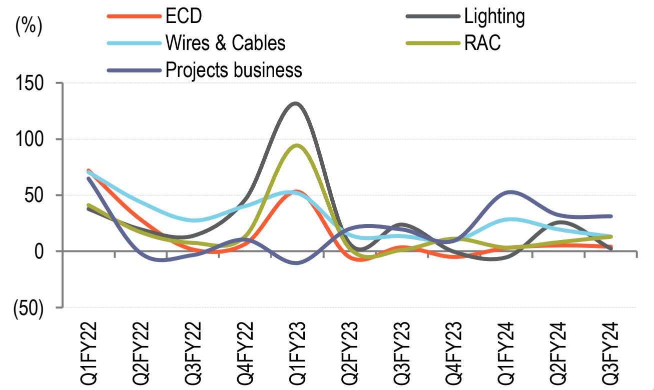
Source: BOBCAPS Research

Fig 1 – Consumer durables universe: Revenue growth



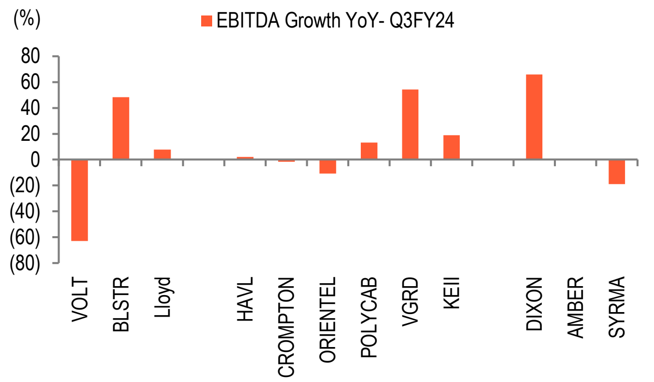
Source: Company, BOBCAPS Research

Fig 2 – Industry-wide revenue growth



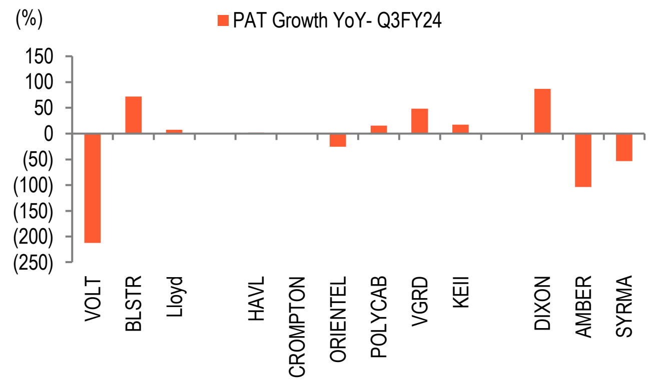
Source: Company, BOBCAPS Research

Fig 3 – Consumer durables universe: EBITDA growth



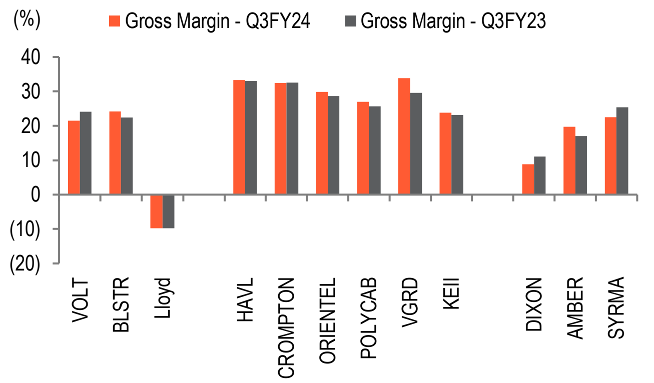
Source: Company, BOBCAPS Research

Fig 4 – Consumer durables universe: PAT growth



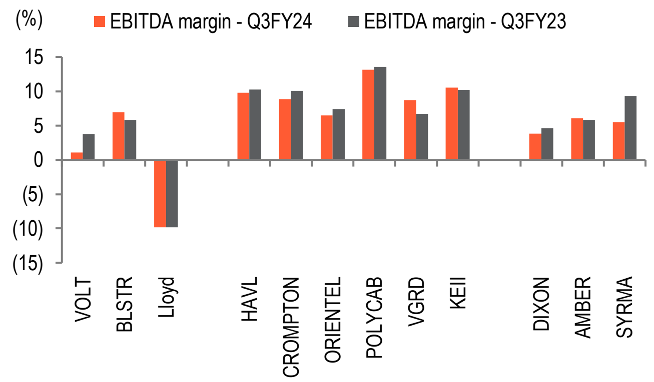
Source: Company, BOBCAPS Research

Fig 5 – Consumer durables universe: Gross margin trend



Source: Company, BOBCAPS Research

Fig 6 – Consumer durables universe: EBITDA margin trend



Source: Company, BOBCAPS Research

Fig 7 – UCP segment: Peer comparison

Company	EBIT Margin (%)					Revenue		
	Q3FY24	Q3FY23	Q2FY24	9MFY24	9MFY23	4Y CAGR (%)	Growth YoY (%)	Growth QoQ (%)
VOLT	8.3	7.4	7.7	8.1	7.5	25.2	21.4	22.1
BLSTR	7.1	7.4	8.4	7.6	7.4	22.8	35.5	31.0
Lloyd	(9.8)	(9.8)	(15.0)	(8.1)	(3.1)	21.6	7.5	31.9

Source: Company, BOBCAPS Research

Fig 8 – Electronic consumer durables (ECD) segment: Peer comparison

Company	EBIT Margin (%)					Revenue		
	Q3FY24	Q3FY23	Q2FY24	9MFY24	9MFY23	4Y CAGR (%)	Growth YoY (%)	Growth QoQ (%)
HAVL	11.2	13.1	11.6	11.2	12.7	15.7	2.8	31.2
CROMPTON	13.6	15.8	14.2	13.4	16.7	11.3	18.5	(2.3)
ORIENTEL	11.3	12.0	8.2	9.8	8.9	13.3	(0.7)	47.3
VGRD	3.0	(1.3)	0.0	1.2	0.9	18.1	11.1	10.7

Source: Company, BOBCAPS Research

Fig 9 – Lighting segment: Peer comparison

Company	EBIT Margin (%)					Revenue		
	Q3FY24	Q3FY23	Q2FY24	9MFY24	9MFY23	4Y CAGR (%)	Growth YoY (%)	Growth QoQ (%)
HAVL	14.2	12.7	14.3	14.2	14.4	11.6	2.4	8.4
CROMPTON	11.2	10.3	10.5	11.2	9.0	(3.2)	0.7	4.5
ORIENTEL	14.2	15.6	13.2	14.5	13.3	6.1	8.2	6.5

Source: Company, BOBCAPS Research

Fig 10 – Cables & wires (C&W): Peer comparison

Company	EBIT Margin (%)					Revenue		
	Q3FY24	Q3FY23	Q2FY24	9MFY24	9MFY23	4Y CAGR (%)	Growth YoY (%)	Growth QoQ (%)
HAVL	10.4	11.5	11.6	11.1	8.5	21.9	11.4	7.0
POLYCAB	14.0	13.7	14.6	14.4	12.4	15.8	16.8	2.6
VGRD	9.1	9.1	8.3	7.9	7.1	14.9	8.5	2.2

Source: Company, BOBCAPS Research

Fig 11 – Valuation snapshot

Companies	CMP (Rs)	Rating	Target (Rs)	Upside (%)	Revenue (Rs bn)					EBITDA (Rs bn)				
					FY23	FY24E	FY25E	FY26E	CAGR (%)	FY23	FY24E	FY25E	FY26E	CAGR (%)
VOLT	1,107	HOLD	1,060	(4)	95	117	137	156	18	6	6	11	13	30
BLSTR	1,272	BUY	1,300	2	80	95	111	125	16	5	7	9	10	29
POLYCAB	4,717	BUY	5,200	10	141	171	197	222	16	19	25	28	31	19
CROMPTON	290	BUY	330	14	69	75	87	100	13	8	8	9	11	12
HAVL	1,415	BUY	1,600	13	69	184	209	238	51	16	17	23	28	21
ORIENTEL	204	HOLD	240	18	25	29	34	39	15	2	2	2	3	27
VGRD	313	HOLD	310	(1)	41	50	56	62	14	3	4	6	7	29
KEI	3,210	Buy	3,120	(3)	69	81	95	109	17	7	9	11	13	23
DIXON	6,734	BUY	6,900	2	122	184	255	299	35	5	7	11	13	37
AMBER	3,955	SELL	3,200	(19)	69	72	87	121	20	4	5	6	9	27
SYRMA	517	HOLD	550	6	20	30	40	52	36	2	2	3	4	33

Source: Company, BOBCAPS Research

Fig 12 – Valuation snapshot

Companies	EBITDA Margin (%)				PAT (Rs bn)					PE (x)			
	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	CAGR (%)	FY23	FY24E	FY25E	FY26E
VOLT	6.0	5.4	7.8	8.1	4	4	8	9	33	96.7	82.3	48.8	41.3
BLSTR	6.2	7.6	8.0	8.4	3	4	5	6	35	94.2	57.6	46.8	38.5
POLYCAB	13.1	14.5	14.1	14.0	13	17	19	22	19	55.8	42.6	37.5	32.8
CROMPTON	11.2	10.3	10.8	10.9	5	5	6	7	17	39.7	38.9	29.7	24.4
HAVL	23.1	9.5	10.9	11.8	11	12	16	20	23	82.7	73.0	56.1	44.8
ORIENTEL	6.0	6.3	7.3	8.0	1	1	1	2	35	57.0	44.9	30.2	23.2
VGRD	7.8	9.0	10.5	11.2	2	3	4	5	34	71.4	49.4	35.9	29.8
KEI	10.2	10.8	11.6	11.9	5	6	7	9	23	61.0	48.3	39.1	32.8
DIXON	4.2	4.0	4.1	4.4	3	4	6	8	46	156.3	104.9	66.5	50.3
AMBER	6.0	6.9	7.0	7.2	2	2	2	4	39	84.7	85.9	58.0	31.4
SYRMA	9.2	7.5	8.2	8.6	1	1	2	3	33	76.4	62.1	44.0	32.7

Source: Company, BOBCAPS Research

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