

## CONSUMER DURABLES

19 September 2022

### Powering down: 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

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**Making strides in energy efficiency:** India has committed to reducing energy intensity by 45% in 2030 against 2005 levels. In its Third Biennial Update Report submitted to the UNFCCC (United Nations Framework Convention on Climate Change), India highlighted that it has achieved a 24% reduction in emission intensity of GDP over 2005-16. Further, it is one of a handful of countries to have achieved its declared voluntary mitigation target up to 2020. Beyond this, India aims to reach 500GW of power from non-fossil fuel sources by 2030.

**Energy intensity down 20% in seven years:** India's energy intensity – measured as megajoules or MJ consumed per rupee of GDP – has reduced by 20% in FY20 from FY13 levels, a CAGR decline of 3%. Going further back to FY07, intensity levels have more than halved, falling at a 5% CAGR. India's FY20 energy intensity is 0.22 MJ/INR compared to 0.28MJ/INR in FY13 and 0.47MJ/INR in FY07 (Fig 1).

**Consumer durables sector a key contributor:** While renewable energy plays a primary role, India also has alternate routes to reduce energy intensity. Household appliances, for instance, fall under the Bureau of Energy Efficiency (BEE) – a regulatory body tasked with raising energy efficiency in the country. Per India's Central Electricity Authority (CEA), the BEE's Standards and Labeling (S&L) programme accounted for 35% of the energy saved in 2020 (in BU or billion units, Fig 2).

**How S&L promotes energy savings:** Under its S&L programme, the BEE maintains a list of appliances that must carry energy labeling to inform the consumer about their power consumption (and implied cost saving potential). Appliances must be rated on a scale of 1 to 5, with 5 being the most efficient. A total of 28 appliances are covered under S&L, of which labels for 10 are mandatory and 18 are voluntary (Fig 3).

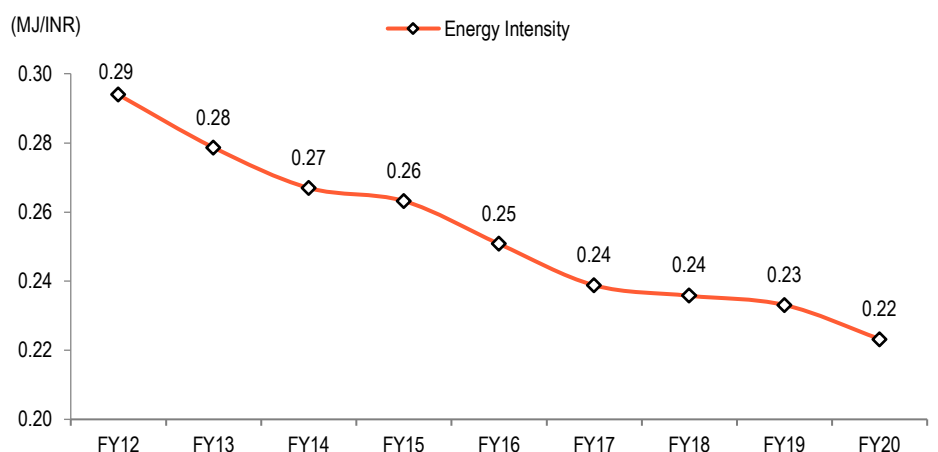
**Maintain preference for sector leaders:** We continue to prefer leaders in their respective categories – HAVL (TP: Rs 1,500, BUY), CROMPTON (TP: Rs 500, BUY) and POLYCAB (TP: Rs 3,000, BUY).

### Recommendation snapshot

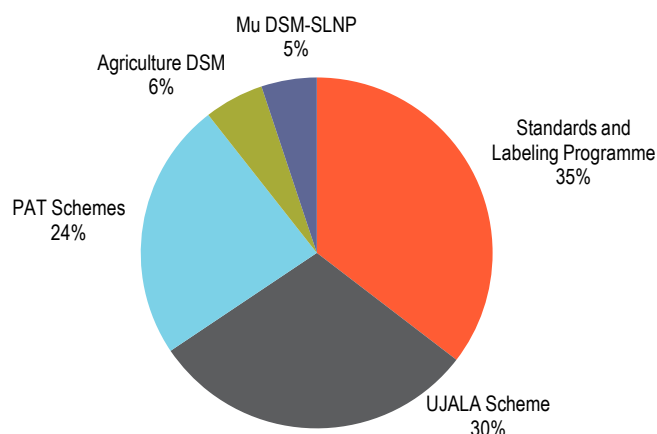
Ticker	Price	Target	Rating
AMBER IN	2,276	2,300	HOLD
BLSTR IN	1,088	1,100	HOLD
CROMPTON IN	399	500	BUY
DIXON IN	4,447	4,500	BUY
HAVL IN	1,302	1,500	BUY
ORIENTEL IN	271	310	HOLD
POLYCAB IN	2,599	3,000	BUY
VGRD IN	235	250	HOLD
VOLT IN	913	1,100	HOLD

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



**Fig 1 – Energy intensity in India**

Source: TERI, BEE, CEA, BOBCAPS Research

**Fig 2 – Initiatives leading to energy savings**

Source: CEA, data as of 2020, BOBCAPS Research | Note: UJALA = Govt. scheme to distribute efficient LED lighting; PAT = Perform, Achieve, Trade; DSM = Demand Side Management; Mu DSM = Municipal DSM; SLNP – Street Light National Programme

**Fig 3 – List of appliances for energy labelling under BEE**

Mandatory	Voluntary	
Room ACs	Ceiling fans	Microwave ovens
Frost-free refrigerators	Agri pump sets	Solar water heaters
Tubular florescent lamps	Induction motors	Deep freezers
Distribution transformers	LPG stoves	Light CAC
Direct cool refrigerators	Washing machines	Air compressors
Colour televisions	Computers	UHD televisions
Electric geysers	Office equipment (e.g. printers/scanners)	Ballasts (electronic/magnetic)
LED lamps	Submersible and open well pumps	Solid state inverters
Inverter ACs	Diesel gensets	
Room AC-Cassettes	Chillers	

Source: BEE, BOBCAPS Research

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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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