

CONSUMER DURABLES

21 September 2022

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, expect demand for appliances to gather pace; retain HAVL, CROMPTON and POLYCAB as top picks

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Formal employment up 25% YoY: Employment generation in India's formal sector hit a high of 1.82mn in Jul'22, a ~25% YoY increase, as per provisional payroll data from the Employees' Provident Fund Organisation (EPFO, Fig 1). This is the fourth straight month of formal employee addition in excess of 1.3mn. The latest jobs data also has 28% enrolment by women – their highest labour participation in 12 months.

FY23 could add record jobs: Annualising employment generation data until July, FY23 could add ~18mn jobs (Fig 2) – the highest in the past five years and ~2.2x the jobs created in pre-Covid FY20. We do acknowledge risks to the downside for our estimate given that April-July are typically months when batches of fresh graduates are inducted into companies (per July data, 58% of the new additions to EPFO were in the age group of 18-25).

Rising incomes, formalisation to lift consumption demand: Strong jobs data coupled with the [uptrend in India's housing sector](#) represent key demand drivers for the consumer durables sector. Rising employment points to growth in the manufacturing and services sectors as well as broader formalisation of the economy away from the unorganised sector. The surge in formal employment among the 18-25 age group signals a growing buyer base of the future for consumer durables. This ties in with the theme of rising income levels in the economy which will bolster demand for appliances.

Maintain preference for sector leaders: We continue to prefer leaders in their respective durables 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	2,266	2,300	HOLD
BLSTR IN	1,081	1,100	HOLD
CROMPTON IN	414	500	BUY
DIXON IN	4,492	4,500	BUY
HAVL IN	1,314	1,500	BUY
ORIENTEL IN	273	310	HOLD
POLYCAB IN	2,604	3,000	BUY
VGRD IN	251	250	HOLD
VOLT IN	904	1,100	HOLD

Price & Target in Rupees | Price as of 21 Sep 2022



Fig 1 – Employment generation FY23 YTD

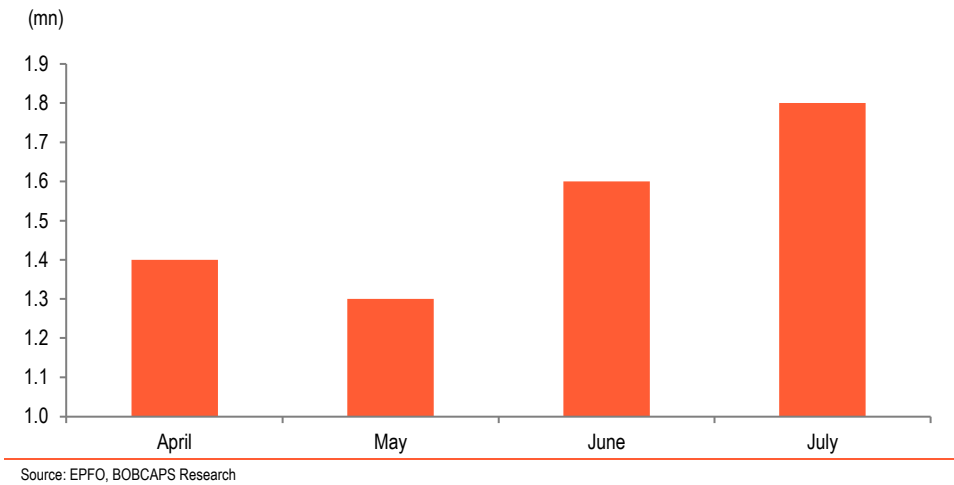
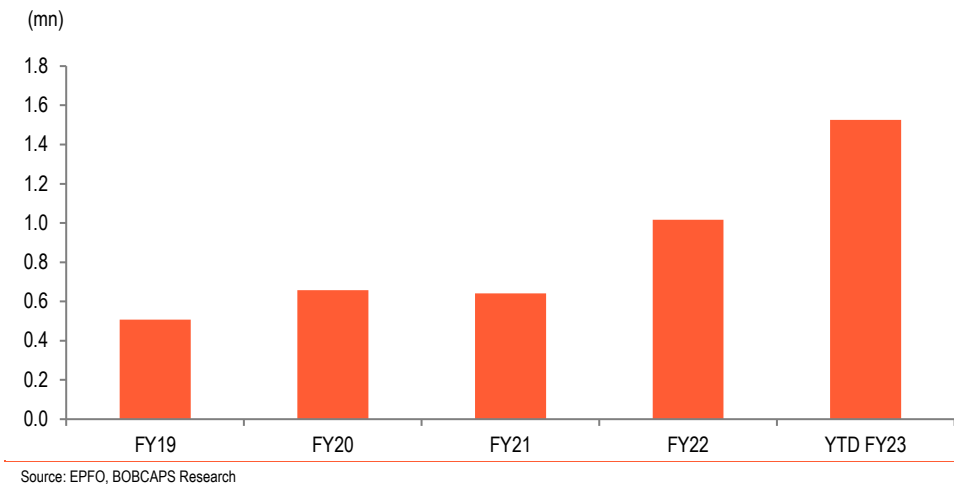


Fig 2 – Average monthly addition



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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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