

CONSUMER DURABLES

08 March 2023

Consumer appliances yielding higher energy efficiency

- India's decadal per capita power consumption grew 3.6% vs. the long-term mean of 6% and ~14% post-liberalisation
- We note a clear correlation between falling per capita power consumption growth and falling energy intensity, even excluding the pandemic period
- Consumer durables accounted for 35% of India's power savings in 2020 spurred by product labelling norms

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Fall in per capita power consumption growth: India has achieved a new high in absolute per capita power consumption, at 1,255kWh in FY22. However, a granular look at the data indicates a fall in growth rate. Per capita power consumption grew at CAGR 3.6% over FY12-FY22 vs. 6% since independence in 1947. If we were to further split the timeline based on the year of India's economic liberalisation, i.e., pre- and post-1992, we note a clear breakout, with the pre-1992 power consumption CAGR of 7% doubling to ~14% over 1992-2022.

Direct correlation with fall in energy intensity: 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 0.22MJ/INR compared to 0.28MJ/INR in FY13 and 0.47MJ/INR in FY07

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 Labelling (S&L) programme accounted for 35% of the energy saved in 2020 (in billion units).

Maintain preference for sector leaders: We continue to prefer consumer durables leaders in their respective categories – viz. **HAVL** (BUY, TP Rs 1,500), **CROMPTON** (BUY, TP Rs 440), and **POLYCAB** (BUY, TP Rs 3,300).

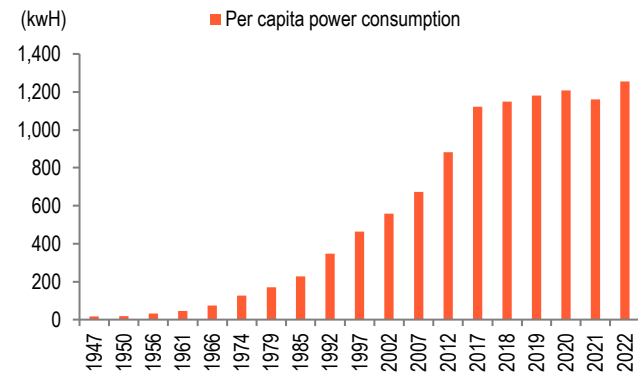
Recommendation snapshot

Ticker	Price	Target	Rating
AMBER IN	2,023	2,100	HOLD
CROMPTON IN	308	440	BUY
DIXON IN	2,917	4,100	BUY
HAVL IN	1,222	1,500	BUY
KEII IN	1,710	1,900	BUY
ORIENTEL IN	274	290	HOLD
POLYCAB IN	3,092	3,300	BUY
SYRMA IN	284	400	BUY
VGRD IN	249	260	HOLD
VOLT IN	910	910	HOLD

Price & Target in Rupees | Price as of 8 Mar 2023

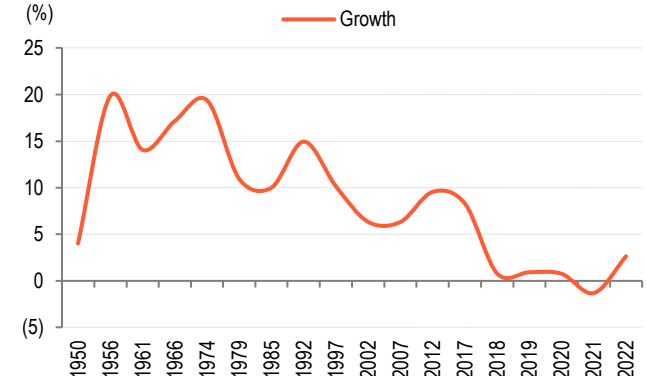


Fig 1 – India's per capita power consumption trend



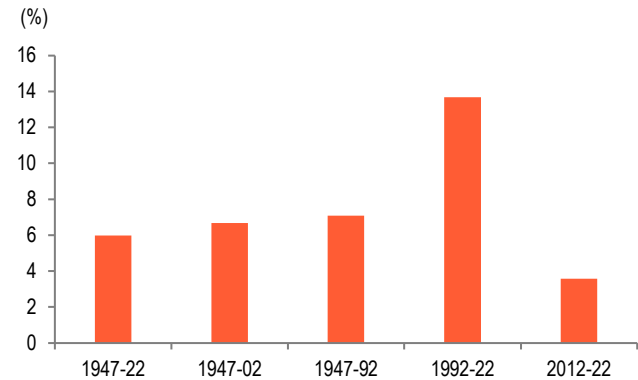
Source: CEA, BOBCAPS Research

Fig 2 – Per capita power consumption growth



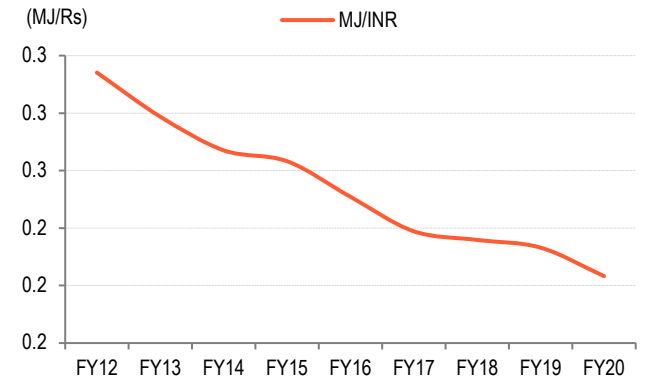
Source: CEA, BOBCAPS Research

Fig 3 – Growth in per capita consumption during phases



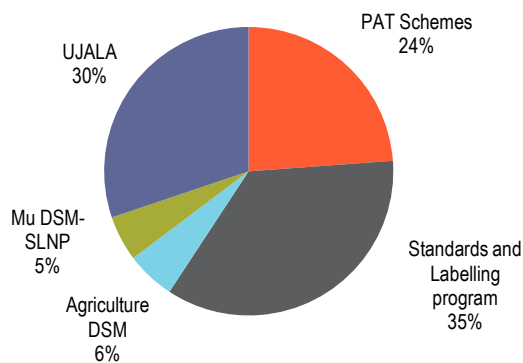
Source: CEA, BOBCAPS Research | Note: 1947-1992 indicates the pre-liberalisation phase and 1992-2022 indicates the post-liberalisation phase

Fig 4 – Energy intensity in India



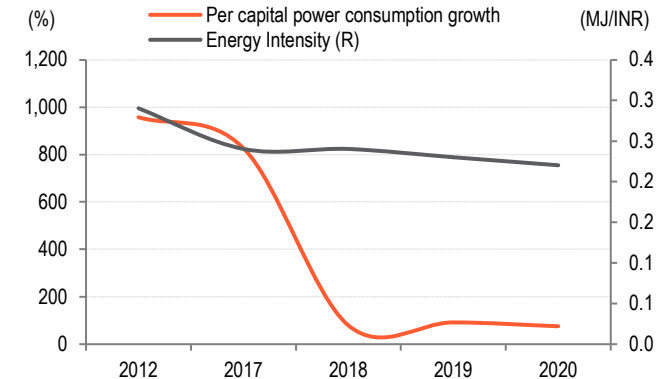
Source: TERI, BEE, BOBCAPS Research

Fig 5 – Initiatives leading to energy savings



Source: TERI, BEE, BOBCAPS Research | PAT: Perform, Achieve, Trade; Mu DSM- Municipal DSM; SLNP: Street Light National Programme; DSM: Demand Side Management

Fig 6 – Lower per capita growth equals lower energy intensity



Source: CEA, TERI, 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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