India

Overweight *(no change)*

Highlighted Companies

CG Consumer Electricals

ADD, TP Rs435, Rs335 close

CGCEL is set to launch new energy-efficient products, including a high-speed five-star induction fan (HS Duro) and a water heater with remote control capabilities. These innovations are a part of CGCEL's broader strategy to premiumize its product portfolio.

Havells India

ADD, TP Rs2010, Rs1529 close

We expect Havells India to maintain its market leadership in switchgear while also emphasizing that Lloyd's margin improvement would be a long-term journey as the company continues to invest in new product categories & overseas markets.

Polycab India

ADD, TP Rs8440, Rs5756 close

The demand momentum, especially for the C&W segment, is likely to pick up and Polycab India will be adding capacity to meet rising demand. Healthy capex, strong demand and improvement in the consumer sentiment, coupled with a revival in private capex, are likely to justify the premium valuation.

Summary Valuation Metrics

P/E (x)	Mar25-F	Mar26-F	Mar27-F
CG Consumer Electricals	37.1	30.5	27.0
Havells India	68.1	52.8	45.6
Polycab India	43.3	35.5	30.7

P/BV (x)	Mar25-F	Mar26-F	Mar27-F
CG Consumer Electricals	6.5	5.8	5.2
Havells India	11.4	9.9	8.5
Polycab India	8.9	7.4	6.2

Dividend Yield	Mar25-F	Mar26-F	Mar27-F
CG Consumer Electricals	1.2%	1.5%	1.8%
Havells India	0.5%	0.5%	0.6%
Polycab India	0.5%	0.6%	0.7%

Industrial - Overall

3Q: Weak performance of electricals sector

- Our consumer electricals universe posted subdued 3Q performance, with revenue growth at 13% YoY. The industry saw a lag in passing on higher prices.
- We expect healthy demand for consumer durables and electricals led by expectations of a recovery in rural demand and the recent budgetary measure.
- We remain Overweight on the electricals sector. We upgrade the rating of KEI Industries (down 35% from its peak) & V-Guard Industries (down 42%) to ADD.

Most companies post single-digit PAT growth in 3QFY25

Our consumer electricals coverage universe posted a subdued 3QFY25 performance, with a revenue growth of 13% YoY led by higher copper prices. The industry witnessed a lag in passing on the higher prices to consumers, which restricted the EBITDA margin to remain flat at 10.7% while PAT growth stood at 7% YoY. Cable & wire (C&W) companies, including KEI Industries (KEI) & Polycab India (Polycab) posted ~20% revenue growth while electrical companies like Crompton Greaves Consumer Electricals (CGCEL), Orient Electric & V-Guard Industries (V-Guard) posted single-digit revenue growth. Margin pressure persisted for KEI (down 127bp YoY), Havells India (down 107bp YoY) & V-Guard (down 51bp YoY). CGCEL & Polycab saw healthy PAT growth of 31% & 13%, respectively.

Key management conference-call highlights

CGCEL is all set to benefit from higher premiumization while the Crompton 2.0 strategy is well in place, including the development of next-generation BLDC fans. Orient Electric continues to expand its DTM presence. It is also strengthening the e-commerce presence on platforms like Blinkit and Zepto. Meanwhile, V-Guard aims to increase in-house production from 65%-75% over the next three-to-four years, improving the margin. The company targets a 10%+ EBITDA margin. Polycab launched its project SPRING, with plans to invest Rs60-80bn by FY30F, primarily in the W&C segment, targeting an asset turnover of 4x-5x. For KEI, management has given EBITDA margin guidance of ~11% for FY26F and 11.5% for FY27F. Havells India to maintain its market leadership in switchgear while also emphasizing that Lloyd's margin improvement would be a long-term journey.

We remain Overweight on the sector

We expect healthy volume growth to continue led by push for urban infrastructure and a healthy real estate cycle. Further, the electricals sector is witnessing encouraging signs of a recovery in private capex as well, which is likely to strengthen in the coming quarters. We expect healthy demand for consumer durables and electricals led by expectations of a recovery in rural demand and the recent budgetary measures aimed at reducing income-tax outgo, which are likely to enhance discretionary spending. The demand revival in urban consumption, which had moderated over the past few quarters, is likely to support the growth. Furthermore, robust channel stocking of summer products in 4Q to help primary sales, contributing to strong revenue growth in the coming quarters. We remain Overweight on the electricals sector as its valuation currently factors in a strong capex recovery. We upgrade the rating of KEI (down 35% from its peak) and V-Guard (down 42%) to ADD (from HOLD) following a sharp correction in their stock prices.

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Figure 1: Results Summary

Company	Rating	CMP	Sales		EBITDA		EBITDA Margin (%)		PAT	
		Rs	Dec-24	YoY (%)	Dec-24	YoY (%)	Dec-24	YoY (bp)	Dec-24	YoY (%)
CGCEL	ADD	335	17,692	4.5%	1,880	25.5%	10.6%	178	1,119	31.0%
Finolex Cables	REDUCE	930	11,821	-3.2%	1,377	3.0%	11.7%	71	1,473	-2.5%
Havells India	ADD	1,529	48,890	10.8%	4,265	-1.4%	8.7%	(108)	2,779	-3.5%
KEI Industries	ADD	3,732	24,673	19.7%	2,408	5.9%	9.8%	(127)	1,648	9.4%
Orient Electric	ADD	218	8,168	8.6%	612	25.0%	7.5%	98	272	11.7%
Polycab India	ADD	5,756	52,261	20.4%	7,199	26.4%	13.8%	65	4,643	12.5%
V-Guard Industries	ADD	331	12,687	8.9%	1,041	2.5%	8.2%	(51)	602	3.4%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Results summary

Company	Rating	Sales					EBITDA					EBITDA Margin (%)					PAT				
(Rs m)		Dec-24	Dec-23	YoY (%)	Sep-24	QoQ (%)	Dec-24	Dec-23	YoY (%)	Sep-24	QoQ (%)	Dec-24	Dec-23	YoY (bp)	Sep-24	Qoq (bp)	Dec-24	Dec-23	YoY (%)	Sep-24	QoQ(%)
CGCEL	ADD	17,692	16,927	4.5%	18,960	-6.7%	1,880	1,498	25.5%	2,034	-7.6%	10.6%	8.8%	178	10.7%	(10)	1,119	855	31.0%	1,281	-12.6%
Finolex Cables	REDUCE	11,821	12,217	-3.2%	13,117	-9.9%	1,377	1,337	3.0%	1,059	30.1%	11.7%	10.9%	71	8.1%	358	1,473	1,510	-2.5%	1,179	24.9%
Havells India	ADD	48,890	44,139	10.8%	45,393	7.7%	4,265	4,327	-1.4%	3,751	13.7%	8.7%	9.8%	(108)	8.3%	46	2,779	2,879	-3.5%	2,678	3.8%
KEI Industries	ADD	24,673	20,617	19.7%	22,797	8.2%	2,408	2,273	5.9%	2,206	9.2%	9.8%	11.0%	(127)	9.7%	9	1,648	1,507	9.4%	1,548	6.5%
Orient Electric	ADD	8,168	7,519	8.6%	6,602	23.7%	612	489	25.0%	357	71.6%	7.5%	6.5%	98	5.4%	209	272	243	11.7%	104	160.2%
Polycab India	ADD	52,261	43,405	20.4%	54,984	-5.0%	7,199	5,695	26.4%	6,316	14.0%	13.8%	13.1%	65	11.5%	229	4,643	4,129	12.5%	4,452	4.3%
V-Guard Industries	ADD	12,687	11,654	8.9%	12,940	-2.0%	1,041	1,016	2.5%	1,103	-5.6%	8.2%	8.7%	(51)	8.5%	(31)	602	582	3.4%	634	-5.0%
Total	**OVERWEIGHT**	**1,76,191**	**1,56,477**	**12.6%**	**1,74,793**	**0.8%**	**18,783**	**16,636**	**12.9%**	**16,824**	**11.6%**	**10.7%**	**10.6%**	**3**	**9.6%**	**104**	**12,535**	**11,704**	**7.1%**	**11,875**	**5.6%**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Valuation table

Company	BBG Ticker	Rating	Mkt-cap	TP	P/E (x)			P/BV (x)			EV/EBITDA (x)			Dividend Yield (%)		
			(Rs bn)	Rs	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
CGCEL	CROMPTON IN	ADD	216	435	37.1	30.5	27.0	6.5	5.8	5.2	23.9	20.0	17.6	1.2%	1.5%	1.8%
Finolex Cables	FNXC IN	REDUCE	142	1,090	20.3	18.4	16.3	2.6	2.3	2.1	19.6	16.9	14.4	0.8%	0.9%	1.0%
Havells India	HAVL IN	ADD	958	2,010	68.1	52.8	45.6	11.4	9.9	8.5	45.0	34.1	29.4	0.5%	0.5%	0.6%
KEI Industries	KEII IN	ADD	357	4,855	51.2	40.1	33.1	5.9	5.2	4.5	33.4	26.5	22.1	0.1%	0.1%	0.1%
Orient Electric	ORIENTEL IN	ADD	46	330	42.5	31.8	26.0	6.4	5.7	5.0	21.2	14.8	12.4	0.8%	1.2%	1.4%
Polycab India	POLYCAB IN	ADD	865	8,440	43.3	35.5	30.7	8.9	7.4	6.2	28.9	25.3	21.1	0.5%	0.6%	0.7%
V-Guard Industries	VGRD IN	ADD	144	548	44.3	37.0	30.5	7.0	6.1	5.2	27.3	22.8	19.1	0.5%	0.5%	0.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Results- Hits and misses

Dec-24	Actuals				InCred Estimates				Consensus Estimates				InCred Diff. (%)				Consensus Diff. (%)			
(Rs m)	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (bp)	Revenue	EBITDA	PAT	EBITDA Margin (bps)
CGCEL	17,692	1,880	1,119	11%	18,510	1,790	1,124	9.7%	18,471	1,783	1,165	9.7%	-4.4%	5.0%	-0.5%	95	-4.2%	5.4%	-4.0%	97
Finolex Cables	11,821	1,377	1,473	12%	13,857	1,396	1,475	10.1%	13,500	1,462	1,394	10.8%	-14.7%	-1.3%	-0.1%	158	-12.4%	-5.8%	5.6%	82
Havells India	48,890	4,265	2,779	9%	50,438	4,820	3,390	9.6%	50,634	5,218	3,593	10.3%	-3.1%	-11.5%	-18.0%	(83)	-3.4%	-18.3%	-22.7%	(158)
KEI Industries	24,673	2,408	1,648	10%	24,283	2,535	1,791	10.4%	24,991	2,694	1,843	10.8%	1.6%	-5.0%	-8.0%	(68)	-1.3%	-10.6%	-10.6%	(102)
Orient Electric	8,168	612	272	7%	8,527	647	256	7.6%	8,609	604	243	7.0%	-4.2%	-5.5%	6.2%	(10)	-5.1%	1.3%	11.8%	48
Polycab India	52,261	7,199	4,643	14%	53,336	6,711	4,715	12.6%	53,420	6,624	4,609	12.4%	-2.0%	7.3%	-1.5%	119	-2.2%	8.7%	0.7%	138
V-Guard Industries	12,687	1,041	602	8%	13,098	1,256	744	9.6%	12,830	1,178	704	9.2%	-3.1%	-17.1%	-19.0%	(138)	-1.1%	-11.6%	-14.5%	(97)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Earnings revision summary

	New Estimates			Old Estimates			Change (%)		
(Rs)	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
CGCEL	9.0	11.0	12.4	9.3	11.2	12.6	-3.5%	-2.4%	-1.9%
Finolex Cables	46.4	57.4	65.9	46.4	57.4	65.9	0.0%	0.0%	0.0%
Havells India	22.5	28.9	33.5	25.1	32.6	37.4	-10.4%	-11.3%	-10.3%
KEI Industries	69.7	88.9	107.9	72.2	88.9	107.8	-3.4%	0.0%	0.1%
Orient Electric	4.1	6.7	8.2	4.4	6.7	8.2	-6.6%	0.0%	0.0%
Polycab India	133.0	162.2	187.5	130.6	162.1	187.5	1.8%	0.0%	0.0%
V-Guard Industries	7.5	9.0	10.9	7.9	9.0	11.0	-5.1%	0.0%	-0.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key management commentary

Crompton Greaves Consumer Electricals (CGCEL)

- CGCEL is set to launch new energy-efficient products, including a high-speed five-star induction fan (HS Duro) and a water heater with remote control capabilities. These innovations are a part of CGCEL's broader strategy to premiumize its product portfolio.
- The fan business saw mid-single-digit growth, driven by TPW fans. New premium models like Luxion, Cairo, and Festo were introduced to strengthen the market position. Demand for TPW fans has been growing faster than that of ceiling fans. The company expects this sub-segment to continue growing due to low penetration and changing weather patterns. Pumps sub-segment grew by 19% YoY, fueled by the successful ramp-up of the solar pump business. Innovations like SWJ and Dura pumps contributed to growth. The non-solar pump business is growing at industry pace, while the solar pumps business has garnered Rs2,000m of business since the launch last year.
- The Crompton 2.0 strategy is well in place, including the development of next-generation BLDC (brushless DC) and induction fan platforms. These innovations are expected to drive future product launches and strengthen CGCEL's market position. Moreover, the company has deepened its engagement with channel partners through digital platforms, improving overall experience and efficiency.
- CGCEL is all set to benefit from higher premiumization and new product launches in the near term. Butterfly products have witnessed margin improvement during the quarter and are expected to post revenue growth in the next few quarters. We retain our ADD rating on the stock while valuing it at 35x FY27F EPS (40x Sep 2026F earlier) with a lower target price of Rs435 (Rs480 earlier).

Orient Electric

- Orient Electric continues to expand its direct-to-market (DTM) presence, recently adding West Bengal, and bringing the total DTM states to 11. DTM markets have shown faster growth and higher market share gains than traditional master distributor (MD) markets, although 70% of the fan business revenue still comes from the MD channel.
- The company is also strengthening its e-commerce presence on platforms like Blinkit and Zepto, leveraging a sell-out strategy to boost market share in fans and heating appliances, with premium product visibility and digital engagement driving online sales. On the costs front, the Spark Sanchay initiative garnered Rs520m in 9MFY25, a 13% YoY improvement. Additionally, the Hyderabad plant has stabilized, and further operating leverage is likely. With gross margin now in the 31%-33% range, driven by premiumization, better channel mix, & cost efficiency, the company is well-positioned for sustained growth.
- The company posted healthy profitability in 3QFY25, with an improvement in gross margin. It remains optimistic about the growth prospects in the coming quarters, driven by premiumization, product innovation, and expansion of distribution channels. The company is likely to sustain its margin expansion trajectory while maintaining a strong market position in fans, lighting products,

and appliances. With a strategic focus on premiumization, Orient Electric is optimistic about sustaining its operating leverage and margin improvement in the long run. DTM (direct-to-market) sales posted healthy growth in 3QFY25. We retain our ADD rating on the stock with a slightly higher target price of Rs330 (Rs314 earlier), valuing it at 40x FY27F EPS.

V-Guard Industries

- V-Guard Industries (V-Guard) expects healthy growth across segments, with improved profitability in the coming quarters led by strategic actions and also emphasized the ongoing efforts in functional integration and sales acceleration. The electronics segment benefited from weather-driven demand, while electrical products saw consistent growth supported by price hike.
- V-Guard aims to increase in-house production from 65% to 75% over the next three-to-four years, improving the margin. The company targets a 10%+ EBITDA margin.
- Commodity price fluctuations impacted demand and the stocking pattern in the market for electricals. Management attributed the kitchen appliance business slowdown to post-Covid demand normalization and likely financial stress in the lower income segment. Consumer durables segment: The segment grew by 8.1% YoY, but the demand for kitchen appliances remained sluggish for the third consecutive year. Water heaters underperformed due to the late onset of winter, affecting seasonal sales. Sunflame was under slight pressure during the quarter, posting a 4% YoY growth in 3QFY25. Management expects a recovery as industry-wide problems ease. Sunflame's higher operational costs, due to increased staffing and consulting expenses, are affecting its margin. The company is investing in long-term brand-building, expecting improvement as demand revives.
- The company's board approved a Rs1bn investment for a new Hyderabad facility, which will manufacture table, pedestal, wall (TPW), and ceiling fans. The investment will be phased over a period of three years and funded through internal accruals
- For 9MFY25, revenue/PAT grew by 15%/23%, respectively, while the margin rose by 66bp to 9.2%. We retain our ADD rating on the stock with a higher target price of Rs548 (Rs500 earlier), as we roll forward our valuation to FY27F (from Sep 2026F), valuing it at 50x.

Polycab India

- Polycab India had given its first five-year guidance for project LEAP, which was to garner Rs200bn revenue by FY26F, but it did so ahead of schedule with a revenue of Rs210bn in CY24 itself. It also launched project SPRING, with plans to invest Rs60-80bn by FY30F, primarily in the wire and cable segment (W&C), targeting an asset turnover of 4x-5x.
- It expects the W&C segment to grow at 1.5x the industry rate with a sustainable EBITDA margin of 11%-13%, while the FMEG segment aims at 1.5x-2x with an EBITDA margin of 8%-10% by FY30F. Also, the company expects its international revenue to contribute at least 10% to its sales, with a high single-digit margin over the medium- to long- term.
- Polycab India faced challenges with high channel inventory at the start of the quarter, which affected wire sales. This inventory build-up likely resulted from aggressive strategies to expand its geographical reach and onboard new distributors and retailers. However, the situation seems to have stabilized, as the channel inventory has now returned to the normal level, potentially making way for smoother sales and distribution in the future.
- The demand momentum, especially for the C&W segment, is likely to pick up and Polycab India will be adding capacity to meet rising demand. Healthy capex, strong demand and improvement in the consumer sentiment, coupled with a revival in private capex, are likely to justify the premium valuation. We retain our ADD rating on the stock with a higher target price of Rs8,440 (Rs7,865 earlier) valuing it at 45x FY27F EPS (from Sep 2026F EPS).

KEI Industries

- KEI Industries incurred Rs4.3bn capex in 9MFY25. Key investments were in Sanand, Chinchpada, and Bhiwadi plants, with an additional Rs8-10bn planned for the Sanand greenfield project. This expansion will enable revenue growth of ~20% and support revenue target of Rs250bn by FY30F. Management has given EBITDA margin guidance of ~11% for FY26F and 11.5% for FY27F and then gradually move towards the 12% level. RoCE to improve steadily over the next few years.
- Land acquisition in Vadodara for future expansion is a part of the company's long-term strategy. The current order book stood at Rs38.7bn, including Rs5.5bn in export EPC, Rs6bn bn in extra-high voltage (EHV) cable orders, and Rs21.5bn in domestic cable orders.
- Exports are expected to grow by 30-35% in FY26F, driven by demand from the US, Australia, the Middle East, and Africa. The company plans to make exports account for 15-17% of its total revenue within two-to-three years. B2C sales contributed 53% to total revenue in 9MFY25. Export margin stood at 11%, retail margin at 11%, institutional business margin at 10.5%, and EHV segment margin at 14-15%. Economies of scale from expanded capacities are expected to improve the EBITDA margin to 12.5% by FY28F. KEI Industries expanded its dealer network to 2,060 active dealers as of Dec 2024-end and continues to target 20-25% growth in the retail segment.
- KEI Industries recently raised Rs20bn through a qualified institutional placement or QIP to support its ongoing capex plan while remaining net cash positive. Exports are expected to grow by ~30% in FY26F, driven by demand from Australia, the Middle East, the US and Africa. The company plans to make exports account for 15-17% of total revenue within two-to-three years. We upgrade our rating on the stock to ADD (from HOLD) with a target price of Rs4,855, valuing it at 45x FY27F from Sep 2026F earlier.

Havells India

- Havells India's revenue growth was led by a 15% growth in the ECD segment while switchgear and C&W segments grew 11% & 7%, respectively. Lloyd's sales rose by 13% YoY. The improving consumer demand trend was aided by the festive season while infrastructure & industrial demand was robust in 3Q. Margin in the switchgear segment fell 596bp YoY due to sales mix change towards the project business and its factory under absorption due to relocation, which may normalize in the coming quarters. The ECD segment's margin fell 253bp YoY to 86% while A&P expenses growth normalization was due to a shift in the festive season. Other SG&A expenses rose due to a provision write-back in 3Q last year.
- The Lloyd brand showed steady growth, with YTD performance approaching breakeven. Premiumization in the air-conditioning business is yielding results, making Lloyd one of the top 3 brands in India. The Rs4.8bn investment in a refrigerator plant at Jalore aims to shift the business from trading to in-house manufacturing for better control and margin.
- The demand outlook remains healthy, with a noticeable uptick in consumer trends. Investments in brand building are ongoing, indicating a strategic focus on enhancing brand visibility and market reach. We expect Havells India to maintain its market leadership in switchgear while also emphasizing that Lloyd's margin improvement would be a long-term journey as the company continues to invest in new product categories & global markets. We retain our ADD rating on the stock with a lower target price of Rs2,010 (Rs2,100 earlier) valuing it at 60x FY27F (from 1HFY27F) EPS.

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Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.