

India

Overweight (no change)

Highlighted Companies

Crompton Greaves Consumer Electricals

ADD, TP Rs480, Rs360 close

The company is all set to benefit from higher premiumization and new product launches in the near term. Butterfly products remain slightly sluggish, but an uptick is expected over the next few quarters.

Polycab India

ADD, TP Rs7865, Rs6539 close

The demand momentum, especially for the C&W segment, is likely to pick up and the company 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, augurs well for Polycab India.

Havells India

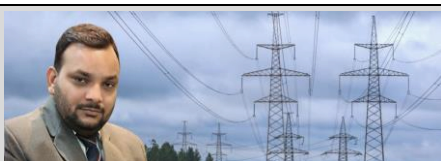
ADD, TP Rs2100, Rs1600 close

The company reiterated its focus on maintaining market leadership in switchgear, while also emphasizing that Lloyd's margin improvement would be a long-term journey as it continues to invest in new product categories.

Summary Valuation Metrics

P/E (x)	Mar25-F	Mar26-F	Mar27-F
Crompton Greaves	42.4	33.8	30.2
Consumer Electricals			
Polycab India	49.3	40.0	34.6
Havells India	69.2	51.0	44.6
P/BV (x)	Mar25-F	Mar26-F	Mar27-F
Crompton Greaves	7.4	6.6	5.9
Consumer Electricals			
Polycab India	9.9	8.3	7.0
Havells India	12.1	10.3	8.8
Dividend Yield	Mar25-F	Mar26-F	Mar27-F
Crompton Greaves	1.12%	1.4%	1.68%
Consumer Electricals			
Polycab India	0.5%	0.5%	0.6%
Havells India	0.5%	0.6%	0.6%

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Industrial - Overall

3Q: Higher prices to drive sales growth

- Consumer electricals, especially cables, are likely to sustain their momentum in 3QFY25F led by pricing action as average copper prices were up ~15% YoY.
- We expect our coverage universe to post revenue/EBITDA/PAT YoY growth of 16%/15%/15%, respectively. C&W firms to continue their outperformance.
- The synergy of government initiatives and private capex in the housing market is expected to enhance sales opportunities in the coming quarters.

Healthy demand for cable manufacturing companies

Consumer electricals companies, especially cables, are likely to sustain their momentum led by pricing action as average copper prices were up ~15% YoY in 3Q. The tendering activity has picked up after low tendering by the government in1HFY25 due to general elections. The wire segment continued to face low demand and intense competition while some demand revival is expected in the realty sector. The small appliances segment has not gone for a price hike. The lighting products segment to witness softness due to price erosion.

Expectations from companies in our coverage universe

We expect our coverage universe to post revenue/EBITDA/PAT YoY growth of 16%/15%/15%, respectively, for the quarter, with cable and wire companies to continue their outperformance over FMEG peers. Also, we expect Polycab India, Havells India and KEI Industries to outperform in revenue terms while Havells India, V-Guard Industries and Crompton Greaves Consumer Electricals (CGCEL) to outperform in profitability. Havells India is looking at a higher capex, which will continue to drive its growth going ahead. The company is looking at investing Rs10-11bn in FY25F & FY26F, of which 30-35% will be in the cable and wire or C&W segment. Polycab India to also invest Rs10bn per year for the next two-to-three years, considering the robust growth outlook for the cable industry across sectors. Asset turnover on this capex is seen at 5x. KEI Industries is poised to witness further growth led by capacity expansion. The company operates at ~87% of its capacity in the cable division and 90% in the stainless-steel wire division. Crompton Greaves Consumer Electricals (CGCEL) emphasizes on innovation, premiumization & significant brand investments, leading to the launch of new products.

We remain Overweight on the sector

We remain Overweight on the electricals sector as valuations currently factor in a strong capex recovery. Out of the seven companies in our coverage universe, we have an ADD rating on Havells India, KEI Industries, Orient Electric and Polycab India which are likely to outperform their peers. The market for the cable and wire segment continues to witness higher demand led by significant government capex, which continues to drive the demand across sectors. Also, the electricals sector is witnessing encouraging signs of a recovery in private capex as well, which is expected to strengthen in the coming quarters. Moreover, the upcoming phase of the real estate sector upcycle is poised to boost the demand for wires and FMEG. This synergy between government initiatives and private sector investments, along with the housing market uptick, are expected to enhance sales and broaden market opportunities in the coming quarters.

Figure 1: 3QFY25F results summary

Company	Rating	CMP Rs	Sales		EBITDA		EBITDA Margin (%)		PAT	
			Dec-24F	YoY (%)	Dec-24F	YoY (%)	Dec-24F (bp)	YoY (%)	Dec-24F	YoY (%)
CGCEL	ADD	360	18,510	9.4%	1,790	19.5%	9.7%	82	1,124	31.6%
Finolex Cables	REDUCE	1,039	13,857	13.4%	1,396	4.4%	10.1%	(87)	1,475	-2.3%
Havells India	ADD	1,600	50,438	14.3%	4,820	11.4%	9.6%	(25)	3,390	17.8%
KEI Industries	HOLD	4,177	24,283	17.8%	2,535	11.5%	10.4%	(59)	1,791	18.9%
Orient Electric	ADD	235	8,527	13.4%	647	32.3%	7.6%	108	256	5.1%
Polycab India	ADD	6,539	53,336	22.9%	6,711	17.8%	12.6%	(54)	4,715	14.2%
V-Guard Industries	ADD	397	13,098	12.4%	1,256	23.6%	9.6%	87	744	27.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: 3QFY25F results snapshot

(Rs m)	Dec-2024F	Dec-2023	YoY (%)	Sep-2024	QoQ (%)	Remarks
Crompton Greaves Consumer Electricals (CGCEL)						
Net sales	18,510	16,927	9.4%	18,960	-2.4%	We expect the ECD segment's sales growth at 14% YoY led by healthy growth in fans. Lighting products' sales growth is likely at 5% YoY due to pricing weakness. The revenue of Butterfly is likely to decline by 10% YoY. The EBITDA margin would continue to be sub-par due to fixed-cost absorption. The EBITDA margin to improve by 82bp YoY to 9.7% while PAT is likely to grow 32% YoY.
EBITDA	1,790	1,498	19.5%	2,034	-12.0%	
EBITDA margin (%)	9.7%	8.8%	82bp	10.7%	-106bp	
PBT	1,457	1,125	29.5%	1,707	-14.7%	
Core PAT	1,124	855	31.6%	1,281	-12.2%	
Finolex Cables						
Net sales	13,857	12,217	13.4%	13,117	5.6%	We estimate electrical cable revenue at >Rs11bn, up 11% YoY, in 3QFY25F. Communication cable revenue is expected to see a muted growth of 1% due to the delay in getting new orders. The FMEG segment's sales are expected to grow 10% yoy led by new product launches. The EBITDA margin is expected to decline by 87bp YoY to 10.1%.
EBITDA	1,396	1,337	4.4%	1,059	31.8%	
EBITDA margin (%)	10.1%	10.9%	-87bp	8.1%	200bp	
PBT	1,867	1,978	-5.6%	1,507	23.9%	
Core PAT	1,475	1,510	-2.3%	1,179	25.1%	
Havells India						
Net sales	50,438	44,139	14.3%	45,393	11.1%	ECD and the cable & wire segments to drive revenue growth in 3QFY25F led by good primary channel fills. Switchgear and lighting products' revenue may see muted growth. The EBITDA margin to decrease by 25bp to 9.6%, while PAT to rise by 18% YoY to Rs3.4bn.
EBITDA	4,820	4,327	11.4%	3,751	28.5%	
EBITDA margin (%)	9.6%	9.8%	-25bp	8.3%	129bp	
PBT	4,613	3,907	18.1%	3,633	27.0%	
Core PAT	3,390	2,879	17.8%	2,678	26.6%	
KEI Industries						
Net sales	24,283	20,617	17.8%	22,797	6.5%	We estimate the cable segment's sales growth at 18% YoY. The steel-wire segment to see muted revenue growth due to a correction in stainless-steel prices in 3QFY25. The EPC segment to grow 20%+. The EBITDA margin to decline by 59bp to 10.4% while PAT to grow 19% YoY.
EBITDA	2,535	2,273	11.5%	2,206	14.9%	
EBITDA margin (%)	10.4%	11.0%	-59bp	9.7%	76bp	
PBT	2,405	2,024	18.8%	2,078	15.7%	
Core PAT	1,791	1,507	18.9%	1,548	15.7%	
Orient Electric						
Net sales	8,527	7,519	13.4%	6,602	29.2%	We expect the ECD segment's revenue growth at 15% YoY owing to good seasonal summer demand for fans, and the lighting & switchgear segment's revenue growth at 7% YoY. Price erosion continues globally for LED products, impacting the segment's value growth. EBITDA is seen 5.5%, up 185bp yoy.
EBITDA	647	489	32.3%	357	81.5%	
EBITDA margin (%)	7.6%	6.5%	108bp	5.4%	219bp	
PBT	341	328	4.0%	142	139.7%	
Core PAT	256	243	5.1%	104	145.0%	
Polycab India						
Net sales	53,336	43,405	22.9%	54,984	-3.0%	We expect the C&W segment's revenue growth at 18% YoY aided by continued demand momentum in the domestic market. The FMEG segment's revenue growth is seen at 15% YoY. Higher staff costs and opex growth vs. revenue growth would lead the EBITDA margin to decline by 54bp to 12.6% for the quarter.
EBITDA	6,711	5,695	17.8%	6,316	6.3%	
EBITDA margin (%)	12.6%	13.1%	-54bp	11.5%	110bp	
PBT	6,286	5,464	15.1%	5,903	6.5%	
Core PAT	4,715	4,129	14.2%	4,452	5.9%	
V-Guard Industries						
Net sales	13,098	11,654	12.4%	12,940	1.2%	We expect the electronics segment's revenue growth at 15% YoY, followed by the electricals segment at 14% YoY and the consumer durables segment to grow 11% YoY. We expect Sunflame's revenue at Rs778m, with the margin at ~5%. Consolidated EBITDA margin to expand by 87bp YoY to 9.6%.
EBITDA	1,256	1,016	23.6%	1,103	13.9%	
EBITDA margin (%)	9.6%	8.7%	87bp	8.5%	107bp	
PBT	994	763	30.4%	846	17.5%	
Core PAT	744	582	27.7%	634	17.3%	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Aggregate results (Rs m)

Aggregate	Dec-2024F	Dec-2023	YoY (%)	Sep-2024	QoQ (%)
Revenue	1,82,051	1,56,477	16.3%	1,74,793	4.2%
EBITDA	19,155	16,636	15.1%	16,824	13.9%
EBITDA margin	10.5%	10.6%	-11bp	9.6%	90bp
PAT	13,495	11,704	15.3%	11,875	13.6%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 4: Incred estimates versus consensus estimates (Rs m)

Company	InCred				Consensus				Diff. (%)			
	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (bp)
CGCEL	18,510	1,790	1124	9.7%	18,471	1,783	1,165	9.7%	0.2%	0.4%	-3.5%	2
Finolex Cables	13,857	1,396	1475	10.1%	13,268				4.4%			
Havells India	50,438	4,820	3390	9.6%	50,634	5,218	3,593	10.3%	-0.4%	-7.6%	-5.6%	(75)
KEI Industries	24,283	2,535	1791	10.4%	24,991	2,694	1,843	10.8%	-2.8%	-5.9%	-2.8%	(34)
Orient Electric	8,527	647	256	7.6%	8,609	604	243	7.0%	-0.9%	7.2%	5.3%	57
Polycab India	53,336	6,711	4715	12.6%	53,470	6,754	4,859	12.6%	-0.2%	-0.6%	-3.0%	(5)
V-Guard Industries	13,098	1,256	744	9.6%	12,905	1,252	728	9.7%	1.5%	0.3%	2.2%	(12)

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 5: Valuation summary

Company	BBG Ticker	Rating	Mkt. cap. (Rs bn)	P/E (x)			P/BV (x)			EV/EBITDA (x)			Dividend Yield (%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
CGCEL	CROMPTON IN	ADD	231	42.4	33.8	30.2	7.4	6.6	5.9	27.2	22.3	19.7	1.1%	1.3%	1.6%
Finolex Cables	FNXC IN	REDUCE	159	24.1	21.0	18.6	3.0	2.7	2.4	23.9	20.1	17.2	0.7%	0.8%	0.9%
Havells India	HAVL IN	ADD	1,003	69.2	51.0	44.6	12.1	10.3	8.8	47.3	33.8	29.4	0.5%	0.6%	0.6%
KEI Industries	KEII IN	HOLD	377	49.6	40.3	33.2	9.0	7.4	6.1	34.5	27.5	22.9	0.1%	0.1%	0.1%
Orient Electric	ORIENTEL IN	ADD	50	53.5	33.5	27.4	6.9	6.1	5.4	22.6	15.6	13.2	0.8%	1.1%	1.3%
Polycab India	POLYCAB IN	ADD	982	49.3	40.0	34.6	9.9	8.3	7.0	34.0	28.9	24.3	0.5%	0.5%	0.6%
V-Guard Industries	VGRD IN	ADD	173	53.2	46.0	37.8	8.6	7.5	6.5	32.7	28.4	23.9	0.4%	0.4%	0.6%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

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Recommendation Framework

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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.

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Definition:

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- 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.

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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.