

Consumer Durables

Valuation snapshot

Company	Rating	CMP (INR)	TP (INR)
POLYCAB	BUY	9,690	11,950
LGEIL	BUY	1,566	1,750
HAVL	Neutral	1,186	1,340
KEI	BUY	5,419	6,640
VOLT	Neutral	1,310	1,240
Blue Star	Neutral	1,653	1,920
RRKABEL	BUY	2,435	2,600
Crompton	BUY	275	340

Healthy RAC demand; weather and pricing remain key variables

- **Demand trend mixed with regional divergence:** Our channel checks with dealers and distributors indicate that RAC demand remained strong during the peak heat period, particularly from late April through the end of May. However, demand softened in Jun'26 as weather patterns became less favorable in certain markets. Despite this headwind, demand continues to hold up better than many non-seasonal appliance segments, such as washing machines and TVs. Although the demand environment has not been broad-based, it is increasingly influenced by region-specific weather patterns, consumer affordability, and channel execution. The monsoon outlook has been flagged as below normal due to El Niño concerns. Hence, temperature intensity and the duration of heat waves remain key drivers for sustaining near-term RAC demand.
- **Demand remains more favorable in premium and replacement segments than in mass and first-purchase segments:** Channel checks indicate that premium and mid-premium RAC segments are witnessing relatively stronger demand, backed by replacement purchases, energy-efficiency upgrades, and consumers who are less sensitive to price hikes. In contrast, demand for entry-level products remains weaker as customers are more cautious about higher prices and, in a few cases, are postponing purchases while waiting for better offers. As a result, a significant portion of revenue growth is likely to be driven by higher realizations.
- **Raw material inflation remains a key concern, though industry players have taken price hikes to protect margins:** Key input materials (copper, aluminum, and plastic), freight, and component costs remained elevated. All these together drove higher cost pressure. The industry players have taken price hikes to pass on the cost pressures. Dealers have indicated that players like LG, Samsung, and Daikin have taken price hikes in the range of ~10-20%, while Blue Star, Voltas, and Godrej have increased their prices in the range of ~5-13% (depending on the product labeling). Dealers indicated that inventory levels remained reasonable at ~30-35 days, with no significant overstocking across the channel. Margin improvement is increasingly dependent on cost pass-through, favorable mix, and efficient channel management. Further, in order to support sales, the companies are increasingly offering financing options.
- **Near-term growth likely to remain uneven across regions:** The RAC segment remains structurally attractive given rising temperatures, low household penetration, and replacement demand, but the immediate demand trend is more selective than broad-based. Near-term performance is likely to be driven more by regional heat intensity, product mix, scheme offerings, and execution quality than by a pan-India volume upcycle.
- Within our coverage, we estimate BLSTR/VOLT/LGEIL to post revenue CAGR of ~16%/15%/10% over FY26-28E.

Region-wise takeaways from our interactions

- **West:** RAC demand remained healthy during the peak summer period. However, sales moderated as temperatures eased and higher prices became more visible to consumers. Competition across channels remains intense, increasing the importance of dealer schemes, financing support, and product availability. Premium and energy-efficient models continue to see relatively better traction.

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- **North and central:** Demand remained highly weather-driven, with strong sales from late Apr'26 to May'26. However, demand was softer in Jun'26 (MTD) due to unseasonal rains and moderating temperatures. Higher prices are prompting consumers to compare brands and financing options more carefully, while dealers remain cautious about increasing inventory until sales improve.
- **East:** Inventory levels remain controlled, with replenishment largely linked to actual demand. Dealers indicated greater price sensitivity in entry and mid-market segments, leading a few consumers to delay purchases or opt for lower-priced models.
- **South:** Demand remained relatively resilient in markets experiencing sustained heat, though higher prices are limiting growth in some segments. Inverter and energy-efficient products continue to see stronger interest, with after-sales service and dealer engagement influencing conversions.

Valuation and view

- The RAC industry has seen strong momentum from late Apr'26 to the end of May'26, supported by a strong heat wave and a favorable summer season. We continue to believe the industry remains highly sensitive to weather conditions, with summer intensity and duration being critical determinants of overall demand.
- While volume growth is estimated to be significantly higher on a YoY basis, this is estimated to be flattish as compared to 1QFY25 – the industry experienced broad-based robust growth due to an intense heat wave. Channel inventory has now been normalized with a pickup in secondary sales.
- In this space, LGEIL remains our preferred pick given strong brand equity, leadership in premium categories, and a well-balanced portfolio spanning both mass (essential series) and high-end products.

Exhibit 1: Valuation summary

Company	M-cap (INR b)	CMP (INR)	TP (INR)	Rating	EPS (INR)			EPS CAGR (FY26-28E)	P/E (x)			RoE (%)			RoIC (%)		
					FY26	FY27E	FY28E		FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
POLYCAB	1,491	9,690	11,950	BUY	177	215	265	22%	55	45	37	22.2	22.4	22.5	33.7	31.2	31.6
LGEIL	1,080	1,566	1,750	BUY	25	34	39	25%	62	46	40	25.1	27.4	26.6	59.4	60.9	54.1
HAVL	736	1,186	1,340	Neutral	24	26	33	17%	49	45	35	16.1	15.7	17.6	19.5	20.7	23.9
KEI	533	5,419	6,640	BUY	97	115	147	23%	56	47	37	14.9	15.3	16.8	18.2	17.8	19.4
VOLT	439	1,310	1,240	Neutral	12	23	32	62%	109	58	41	6.2	10.7	13.2	11.0	17.2	21.2
Blue Star	342	1,653	1,920	Neutral	27	35	43	26%	60	48	38	16.4	17.9	19.2	17.8	20.3	22.7
RRKABEL	267	2,435	2,600	BUY	45	60	74	29%	54	41	33	21.4	23.5	23.7	19.2	21.8	23.7
Crompton	175	275	340	BUY	8	9	11	22%	36	29	24	14.3	15.9	16.9	22.7	23.0	28.6

Source: MOFSL, Company

Exhibit 2: Weather patterns (temperature)

City	Avg. Max Temp (°C) Apr'26	Avg. Max Temp (°C) May'26	Avg. Max Temp (°C) Jun'26 (MTD)	Avg. Max Temp (°C) Apr-Jun'26 (QTD)
North				
New Delhi	36	41	40	39
Jaipur	37	41	39	39
Lucknow	36	40	38	38
Average	36	41	39	39
South				
Chennai	36	38	36	37
Bengaluru	30	31	28	30
Hyderabad	36	38	34	36
Kochi	32	32	29	31
Average	34	35	32	33
East				
Kolkata	36	37	34	36
Bhubaneswar	37	38	34	36
Guwahati	30	32	31	31
Average	34	36	33	34
Western				
Mumbai	32	33	30	32
Ahmedabad	38	41	37	39
Pune	35	36	30	34
Average	35	37	32	35
Central				
Bhopal	37	41	37	38
Nagpur	40	43	37	40
Raipur	38	41	36	38
Average	38	42	37	39

Source: IMD, MOFSL, Company

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