PL Capital
PRABHUDAS LILLADHER

Consumer Durables

Sector Update

September 16, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
Bajaj Electricals	Accumulate	330	403
Blue Star	Accumulate	1,483	1,653
Cello World	Accumulate	330	410
Crompton Greaves Consumer Electricals	Buy	226	330
Havells India	Accumulate	1,087	1,319
KEI Industries	Accumulate	4,500	6,001
LG Electronics India	HOLD	1,632	1,723
Polycab India	BUY	8,144	10,764
R R Kabel	HOLD	2,381	2,596
Voltas	HOLD	1,137	1,308

RAC leads rebound, margins remain muted

Quick Pointers

- H2FY27 RAC growth may moderate to 15-20% as the base effect normalizes
- UCP margin recovery to remain gradual amid near-term cost pressures

We interacted with an established industry participant with exposure to the consumer durables market, to understand the prevailing demand environment, competitive dynamics and margin outlook across key categories. They are of the view that RAC recovery is broadening, although profitability continues to lag volume growth. FY26 was a reset year for RAC following 2 strong years, with cooling categories particularly impacted by a high base and input-cost volatility. H1FY27, however, indicates a clear turnaround led by RAC, with Jul'26 showing strong growth across RAC, refrigerators and washing machines. Importantly, the recovery is increasingly penetration-led, rather than purely replacement-led, supported by first-time ownership and consumer financing.

At the same time, competitive intensity remains the key constraint on margin recovery. Players continue to prioritize market share, while higher RM costs, particularly from copper and forex, have not been fully passed through to consumers, putting pressure on manufacturer margins. The channel check therefore points toward stronger volume growth in FY27, but margin recovery is likely to remain challenging and gradual.

Key takeaways

RAC: Recovery underway, with H2 growth expected to moderate

- After declining ~10% in FY26 to ~12mn units from 14-15mn in FY25, RAC volume is on the recovery path. Growth is primarily penetration-led, with ~80% of the volume coming from first-time buyers and ~75% from entry-level products.
- Consumer financing is a key demand enabler, accounting for ~40% of industry RAC sales, with some brands deriving ~50% of sales through consumer financing. E-commerce has also structurally gained share, reaching 17-18% of RAC sales versus 8-10% earlier.
- In Jul'27, secondary RAC sales grew strongly YoY, with Voltas, Daikin and Godrej gaining secondary market share by ~150bps, ~70bps and ~90bps, respectively, while LG and Lloyd lost ~250bps and ~150bps.
- Industry expert expects RAC growth to moderate from 25–30% in H1FY27 to 15–20% in H2FY27 as the favourable base effect normalizes, while underlying penetration-led demand remains healthy.
- The recovery remains uneven across regions, with South emerging as the strongest market, West showing improvement during May'27, East remaining relatively stable, and North being the weakest region.

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RAC margin recovery to remain gradual

- Profitability remains the key concern. Industry margins have compressed significantly over the past few years, with aggressive market-share strategies limiting the pass-through of higher copper, forex and other input costs.

- Q2 and Q3 of FY27 are likely to remain under cost pressure, with meaningful margin recovery expected only around Q4FY27, potentially by 150-200bps. Price hikes and cost optimization will be required to support recovery.

Compressor manufacturing – Scale and cost are key

- Compressor manufacturing is more a function of cost and scale than technology, with established Chinese players such as GMCC and Highly Group having a significant cost advantage. While local manufacturing can improve supply-chain security and reduce import dependence, a buy/outsourcing model remains more economical at lower volume, with backward integration becoming increasingly viable as volume scales.

- Compressor costs are estimated to account for 16-17% of the BOM cost, making compressor sourcing and cost competitiveness important factors for overall product economics.

Refrigerators – Recovery underway, but competitive intensity remains elevated

- Refrigerator volume stood at ~13mn units in FY26 versus ~14mn in FY25, with category value at ~INR280bn. Jul'26 growth was ~21% YoY, indicating recovery in replacement/upgrade demand, although the low base remains a factor.

- Samsung and LG, the leading/top-end brands, are witnessing market share losses, while Haier, Godrej and Bosch are gaining share. Beko is seeing traction in Tier 2/3 markets, although profitability remains a challenge.

Washing machines: Resilient demand, but limited premiumization

- Washing machines are emerging as the bright spot among traditional consumer durables, with Jul'26 YoY growth at ~11% despite seasonality. Demand is supported by increasing affordability, hygiene considerations and changing consumer behavior.

- However, the category remains heavily skewed toward entry-level/top-load products, while front-load and premium products have limited penetration, restricting near-term margin upside.

- Washing machine volume remained broadly stable at ~10mn units in FY26 versus ~9.8mn units in FY25, highlighting the relative resilience of the category.

New growth avenues: Data centers and commercial refrigeration

- Blue Star continues to benefit from product diversification beyond RAC, with commercial AC, commercial refrigeration and projects providing additional growth avenues and supporting margin resilience

- Data centers and liquid cooling represent a significant long-term opportunity. Blue Star appears particularly well positioned to capture this opportunity given its commercial AC/project exposure, with liquid cooling identified as a rapidly expanding market.

- Commercial refrigeration also has structural potential from cold-chain, frozen food and food-service growth, although the segment remains fragmented with significant local competition.

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Amber Enterprises India	Buy	9244	7222
2	Astral	BUY	1684	1464
3	Avalon Technologies	Reduce	1470	1823
4	Bajaj Electricals	Accumulate	403	383
5	Blue Star	Accumulate	1653	1514
6	Cello World	Accumulate	410	360
7	Century Plyboard (I)	Accumulate	878	770
8	Cera Sanitaryware	BUY	7221	6049
9	Crompton Greaves Consumer Electricals	Buy	330	252
10	Cyient DLM	HOLD	635	623
11	Finolex Industries	Accumulate	197	164
12	Greenpanel Industries	BUY	284	184
13	Havells India	Accumulate	1319	1187
14	Kajaria Ceramics	BUY	1403	1198
15	Kaynes Technology India	Accumulate	4390	3856
16	KEI Industries	Accumulate	6001	5500
17	LG Electronics India	HOLD	1723	1730
18	Polycab India	BUY	10764	8808
19	Premier Energies	Accumulate	1131	1047
20	R R Kabel	HOLD	2596	2525
21	Supreme Industries	BUY	4610	3395
22	Syrma SGS Technology	HOLD	1409	1378
23	Vikram Solar	Accumulate	173	157
24	Voltas	HOLD	1308	1321
25	Waaree Energies	BUY	3280	2625

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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