4 March 2026

Consumer Durables

El Niño - 2026: heating up the cooling business

Sensex: 79,116

Nifty: 24,481

An intense El Niño-led summer could inflect earnings for seasonal cooling categories (ACs, air coolers, fans) and drive a broad-based demand upcycle. Following inventory build-up on Feb–Mar'25 optimism, cooler temperatures and erratic weather in Apr–May'25 disrupted peak demand, slowed sell-through, and led to sharp FY26 growth moderation and multiple correction, creating a low base. A sustained heatwave should accelerate secondary sales, normalize channel inventory, strengthen pricing, and unlock operating leverage through higher peak-season utilisation, driving margin expansion. We remain constructive, preferring PG Electroplast, Blue Star, Havells, Orient Electric, Crompton Greaves Consumer and Voltas.

Early, Intense and Prolonged Heatwave Led by El Niño: In a strong El Niño scenario marked by an early, intense and prolonged summer, AC demand (from being luxury to necessity) could significantly exceed current expectations, triggering rapid secondary sales and sharp channel inventory liquidation across players. Low penetration levels (~8-10%), impulse buying, stronger replacement demand and deeper Tier-II/III penetration could drive industry volume growth materially above guidance.

Cooling Majors Entering into a Heat-driven Cycle: Elevated sell-through, led by strong summers, would improve pricing discipline, allowing RAC companies to pass on higher copper, currency, and BEE-related cost with limited impact on demand. Higher mix of inverter and premium star-rated models, combined with peak plant utilisation and improved operating leverage, could drive strong expansion in EBIT margins. Strong cash flows, lower trade scheme and better absorption of fixed cost may result in earnings upgrade and potential valuation re-rating across leading AC stocks. For Coolers, stronger summer intensity can enhance realisation, reduce channel discounting and support margin, while fan-focused consumer durable companies could benefit from volume growth and improved mix towards premium and energy-efficient models. Expanding domestic manufacturing capacity, higher localisation and rising adoption of inverter, energy-efficient, and smart AC systems should strengthen margin and return ratios over the medium-term.

Outlook and Valuation: The industry saw sharp moderation in 2025 as cooler temperatures and erratic weather disrupted peak summer demand, leading to a valuation correction through FY26. Inventory built up on early-season optimism (Feb–Mar'25), but weaker demand in Apr–May'25 slowed sell-through and created a low base for FY26. A prolonged heatwave could now accelerate secondary sales, improve inventory turns, and drive operating leverage via stronger peak-season utilisation. We remain constructive on cooling categories, supported by the prospect of sustained earnings growth and potential re-rating.

Our Preferred Picks: PG Electroplast, Blue Star, Havells, Orient Electric, Crompton Greaves Consumer, Voltas.

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El Niño – A Structural Demand Catalyst for Cooling Segments

El Niño is a naturally occurring climate phenomenon and the warm phase of El Niño-Southern Oscillation (ENSO) cycle, marked by abnormal warming of sea surface in the central and eastern Pacific Ocean. It occurs when trade winds weaken, allowing warm water to shift eastward and disrupt global weather patterns. El Niño is also found to cause stronger and prolonged marine heatwaves in northern Indian Ocean.

Typically appearing every 2-7 years and lasting ~9-12 months, El Niño is associated with higher global temperature, increased heatwaves and shift in rainfall patterns. In regions like South Asia, it often leads to hotter summers and can influence monsoon variability, with broad economic implications across agriculture, energy demand, and climate-sensitive sectors.

Historically, the 2023-24 El Niño episode provides a meaningful benchmark for understanding the potential climatic and economic impact of a renewed event. According to the EU's Copernicus Climate Change Service, that phase coincided with unprecedented global heat with average temperature during Jul-23–Jun-24 rising 0.76°C above 1991-2020 average and 1.64°C above pre-industrial (1850-1900) levels.

The event intensified rapidly between Jul-23 and Aug-23, reached moderate strength by Sept-23, and peaked during Nov-23 to Jan-24, amplifying the broader warming trend and contributing to widespread temperature extremes worldwide.

What the Latest Forecasts Suggest?

As of late Feb-26

Forecast consistency across multiple ensemble systems and evolving oceanic conditions suggest there is a very high probability of El Niño developing this summer as per IMD.

Probability and Emergence

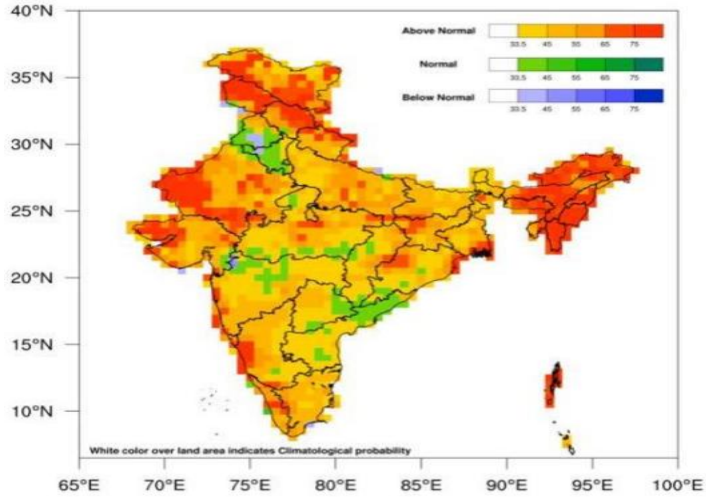
- Likely ENSO-neutral through spring and early summer (Mar-Jun)
- Forecast probability of El Niño conditions increasing mid-year and into the monsoon and late summer season (Jul-Oct).
- Heat risk and temperature anomalies trending high even before the onset of El Niño.

What This Means for India's 2026 Summer

If El Niño does develop by mid-to-late 2026, India is likely to see a hotter-than-the-normal pre-monsoon summer temperature in Mar-May/Jun.

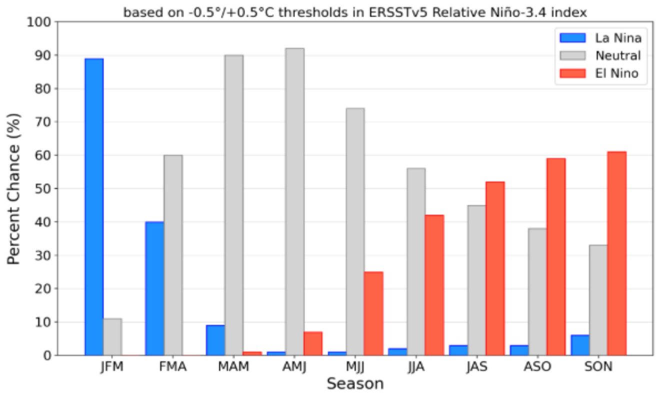
The probability forecast for maximum temperature (Fig.1) indicates above normal maximum temperature is likely during March-May2026 over most parts of the country

Fig 1 – Maximum temperature outlook for March-May 2026



Source: IMD

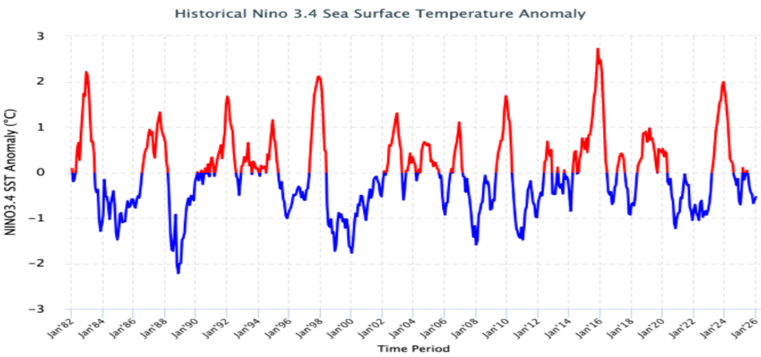
Fig 2 – Official NOAA CPC ENSO probabilities (issued Feb-26)



Source: ENSO Forecasts

ENSO-neutral remains the dominant category through Mar-May (90%) and Apr-Jun (65%), while El Niño probabilities increase rapidly during same period. Starting in May-July, El Niño probabilities become higher than ENSO-neutral and remain in the range of 58% to 61%, with ENSO-neutral the second most likely outcome.

Fig 3 – El Niño 3.4 sea surface temperature - historical anomaly



Source: ENSO Forecasts

Current forecasts indicate that El Niño conditions may re-emerge in 2026, raising the likelihood of hotter-than-normal summers and below-normal monsoon rainfall in India, which could lead to unseasonably warm days and 30°C-plus prints in multiple cities.

For AC industry, elevated and prolonged heat typically drives a strong surge in cooling demand, which would be especially significant following the comparatively milder summer of 2025 (low base), which saw softer RAC demand and subdued seasonal sales.

This supports a multi-season demand upcycle in cooling players – Voltas, Blue Star and electricals like Crompton and Havells. Second-order beneficiaries include OEM/ODM and component names i.e., PG Electroplast and Amber Enterprises, where volume acceleration can unlock operating leverage and higher capacity utilisation over the next 2-3 summers, as AC penetration and replacement cycles deepen.

Thus, a renewed El Niño in 2026 could serve as a cyclical catalyst for the AC sector, supporting volume acceleration, improved capacity utilisation, and stronger earnings momentum.

Seasonal Record of El Niño & La Niña Episodes

Intensity Classification (ONI): Weak (±0.5-0.9°C), Moderate (±1-1.4°C), Strong (±1.5-1.9°C), Very Strong (> ±2°C). Negative ONI = La Niña; Positive ONI = El Niño.

Fig 4 – Seasonal Record of El Niño & La Niña Episodes

Year	DJF	JFM	FMA	MAM	AMJ	MJJ	JJA	JAS	ASO	SON	OND	NDJ
2015	0.7	0.6	0.7	0.8	1	1.3	1.6	1.9	2.2	2.5	2.6	2.8
2016	2.6	2.3	1.7	1	0.5	0	-0.3	-0.5	-0.6	-0.6	-0.6	-0.5
2017	-0.2	0	0.2	0.3	0.4	0.4	0.2	-0.1	-0.3	-0.6	-0.8	-0.9
2018	-0.8	-0.7	-0.6	-0.4	-0.1	0.1	0.1	0.3	0.5	0.8	1	0.9
2019	0.9	0.9	0.8	0.8	0.6	0.5	0.3	0.2	0.2	0.4	0.6	0.7
2020	0.6	0.6	0.5	0.3	0	-0.2	-0.4	-0.5	-0.8	-1.1	-1.2	-1.1
2021	-0.9	-0.8	-0.7	-0.5	-0.4	-0.3	-0.3	-0.4	-0.6	-0.8	-0.9	-0.9
2022	-0.8	-0.8	-0.9	-1	-0.9	-0.8	-0.8	-0.9	-1	-0.9	-0.8	-0.7
2023	-0.5	-0.3	0	0.3	0.6	0.8	1.1	1.4	1.6	1.8	2	2.1
2024	1.9	1.6	1.3	0.8	0.5	0.2	0.1	-0.1	-0.2	-0.2	-0.3	-0.4
2025	-0.4	-0.2	-0.1	0	0	0	-0.1	-0.3	-0.4	-0.5	-0.6	-0.5

Source: ENSO Forecasts

Colour Indicator: *Red=El Niño (Positive ONI); Blue = La Niña (negative ONI). Bold values mark the climatologically significant ±0.5°C threshold*

- The chart highlights a highly active ENSO decade, marked by two strong El Niño events (2015-16 peak +2.8°C; 2023-24 peak +2.1°C) flanking a rare triple-dip La Niña phase from 2020-–23 with sustained negative ONI readings.
- El Niño years show positive ONI during the key Apr-May-June to Jul-Aug-Sept window (typically linked to weaker monsoons and hotter summers), while La Niña years reflect negative readings associated with stronger rainfall.
- Currently, the cycle has transitioned from the 2023-24 El Niño to a weak La Niña in 2024-25, with a move towards ENSO-neutral expected by early 2026.

Fig 5 – Sensitivity of cooling companies' earnings to El Niño

Company	Segment	Metric	Post El Niño		El Niño Peak		El Niño onset	
			Q1 FY26	Q4 FY25	Q1 FY25	Q4 FY24	Q1 FY24	Q4 FY23
Havells	Llyod + ECD	**Revenue (Rs m)**	21,784	28,708	29,841	22,563	21,884	20,205
		y/y growth (%)	**-27.0**	+27.2	**+36.4**	+11.7	+13.2	+10
		EBIT (Rs m)	579	2,392	1,783	1,385	341	720
		Margin (%)	2.66	8.33	5.97	6.14	1.56	3.56
Voltas	UCP	**Revenue (Rs m)**	28,679	34,584	38,022	29,551	25,140	20,486
		y/y growth (%)	**-24.6**	+17.0	**+51.2**	**+44.3**	+16.3	+12.7
		EBIT (Rs m)	1,044	3,448	3,270	2,704	2,073	2,057
		Margin (%)	3.6	10.0	8.6	9.2	8.2	10.0
Amber	Consumer Durables	**Revenue (Rs m)**	25,600	27,970	19,180	21,990	13,310	24,750
		y/y growth (%)	+33.5	+27.2	**+44.1**	-11.2	-12.6	**+53.7**
		EBITDA (Rs m)	1,920	2,340	1,500	1,790	1,060	1,560
		Margin (%)	7.5	8.4	7.8	8.1	8.0	6.3
Blue Star	UCP	**Revenue (Rs m)**	14,994	19,602	17,295	17,089	11,985	12,677
		y/y growth (%)	**-13.3**	+14.7	**+44.3**	**+34.8**	+6.6	+22.3
		EBIT (Rs m)	875	1,645	1,580	1,414	893	1,070
		Margin (%)	5.8	8.4	9.1	8.3	7.5	8.4
Symphony	None	**Revenue (Rs m)**	2,510	3,810	3,930	3,320	3,020	3,080
		y/y growth (%)	**-36.1**	+14.8	**+30.1**	+7.8	-8.2	-20
		EBITDA (Rs m)	260	990	870	570	260	230
		Margin (%)	10.4	26.0	22.1	17.2	8.6	7.5

Source: Company

The earnings trajectory of cooling companies over the past three years clearly demonstrates their high sensitivity to ENSO-driven heat intensity.

- **3-Year La Nina suppression (FY21-FY23):** Three consecutive mild summers kept cooling demand below potential. Consumers deferred AC/cooler purchases. Dealers ran minimum inventories. Brands cut capex.
- **Q4FY24 & Q1FY25 (El Niño Impact Visible) – Peak Heat Monetisation.** Rapid El Niño build-up led to rising heat intensity and strong pre-summer demand with Q1 being peak benefit quarter. Industry saw 40–50%+ growth for key players due to severe heatwaves. Margins expanded sharply on strong utilisation and lower discounting.
- **The FY24–FY25** surge was a direct function of El Niño–led extreme summers, driving outsized volume growth, operating leverage expansion, and margin upgrades. Conversely, FY26 reflects demand normalisation amid milder weather and a high base effect. If 2026 transitions toward El Niño again, the sector could enter **another earnings upgrade cycle**, similar to FY24–FY25 momentum.

Growth Outlook

Inventory: Both Voltas and Blue Star enter the season with relatively healthy channel inventories (~5-6 weeks vs. higher industry levels earlier), positioning them to benefit from rapid sell-through if heat intensity sustains. For Voltas (production capacity of 3m units), proactive Q3 channel filling and wider retail penetration could translate into sharper market share gains, though margin recovery may remain gradual given competitive intensity and discounting required to clear residual old BEE-label stock. The company aims for 20% market share from 18% currently. In contrast, Blue Star's tighter inventory discipline and guided ~10% net price hike provide better visibility on UCP EBIT margin recovery (~8.5%), especially with structural cost controls already in place.

Thus, Q4FY26 is shaping up to be a critical inflection quarter for the AC industry, with a strong El Niño-led summer potentially driving early and intense demand acceleration. Revenue is expected to improve on strong summer demand going forward, with FY25 as a low base.

Voltas expects 25% revenue growth in RAC business, led by increasingly favourable summer, betting on first time buyers to lead a rebound in demand, aided by a low base and forecasts of above-normal temperature.

Pricing and Margin: Bluestar and Voltas have hiked prices by 10-15% and 5-15%, respectively. Industry-wide, price hike will be driven by copper inflation, INR depreciation and higher BEE-compliant model cost, that will test pricing power. However, a strong summer could improve absorption, reduce trade schemes and enable better pass-through of cost and smooth transitioning of new BEE compliant models. *High plant utilisation (Pantnagar/Chennai for Voltas; in-house inverter capacity for Blue Star), increased backward integration and improved operating leverage during peak production months should support sequential margin expansion.*

Night temperatures are already a couple of degrees higher than last year, which is an early signal that the peak season could be strong for Blue Star

Profitability outcome will hinge on: (a) pace of inventory liquidation; (b) competitive response to price hike; and (c) summer intensity sustaining through May. Overall, while volume growth is likely to remain strong under an El Niño scenario, margin recovery may diverge across players depending on inventory discipline and pricing execution, making Q4 a volume-positive but execution-sensitive quarter for the sector.

Outlook: With the IMD forecasts suggesting a high probability of El Niño re-emergence in 2026, the coming summer could mark a decisive cyclical upturn for cooling category. An early, intense, and prolonged heatwave-especially on a low FY25 base-has the potential to sharply accelerate secondary sales, normalise elevated inventories and unlock meaningful operating leverage across ACs, air-coolers and fans.

Higher night temperature signals strong peak-season demand, which could improve pricing discipline, enable smoother pass-through of recent price hike (copper, FX, BEE transition), and drive mix-led margin expansion. Leading AC players i.e., Voltas and Blue Star are positioned to benefit from capacity utilisation and distribution strength, while coolers (Symphony) and fan players could see faster volume spike due to affordability-led impulsive buying.

Overall, sustained heat intensity could catalyse earnings upgrades, improve return ratios, and support valuation re-rating across cooling ecosystem, making the upcoming summer a potential inflection point for the sector.

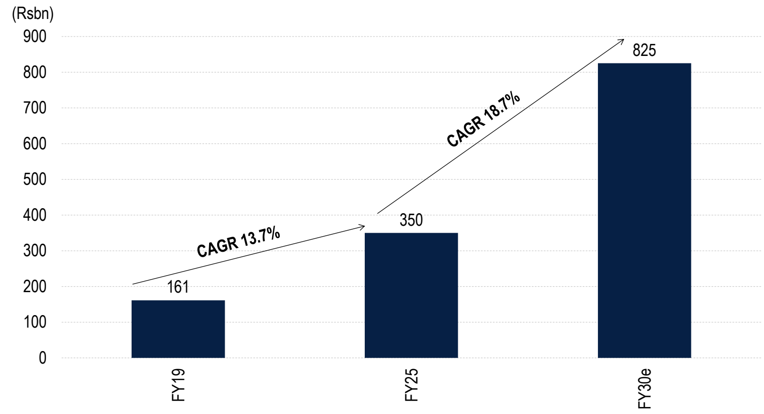
Industry Overview

India's AC Market Size

India's AC market (residential + commercial), which stood at Rs350bn in FY25, is projected to clock a strong ~18.7% CAGR to ~Rs825bn by FY30, driven by rising temperature, higher disposable income, rapid urbanisation, and easier financing access.

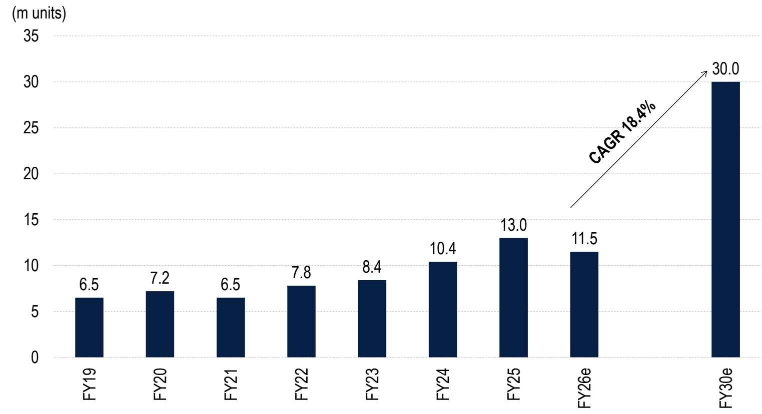
With household penetration still low at ~12% (Jun-24) and expected to exceed ~18% by FY30, improving power infrastructure and availability of affordable models provide a significant structural runway for expansion.

Fig 6 – RAC market projected to clock a strong ~18.7% CAGR over FY25-30e



Source: Silver Consumer Electricals DRHP, Anand Rathi Research

Fig 7 – RAC market sales units is expected to cross ~30m by FY30e



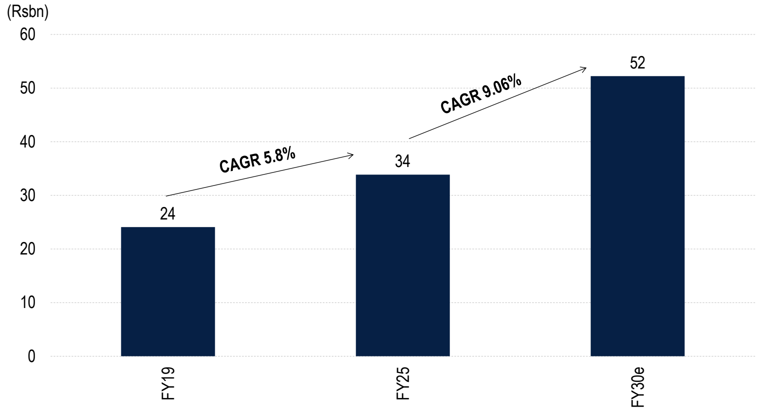
Source: Silver Consumer Electricals DRHP, Anand Rathi Research

India's Air-cooler Market Size

India's air cooler market (residential + industrial/tent), which stood at Rs33.9bn in FY25, is expected to clock ~9% CAGR to ~Rs52.2bn by FY30, aided by rising temperatures, improving electricity access and affordability vs. ACs.

With household penetration still low at ~15%, the category offers meaningful headroom for expansion. Additionally, a gradual shift from unbranded to branded products is driving share gains for organised players, supporting steady revenue growth and margin improvement.

Fig 8 – Air-cooler market projected to clock a strong ~9% CAGR over FY25-30e

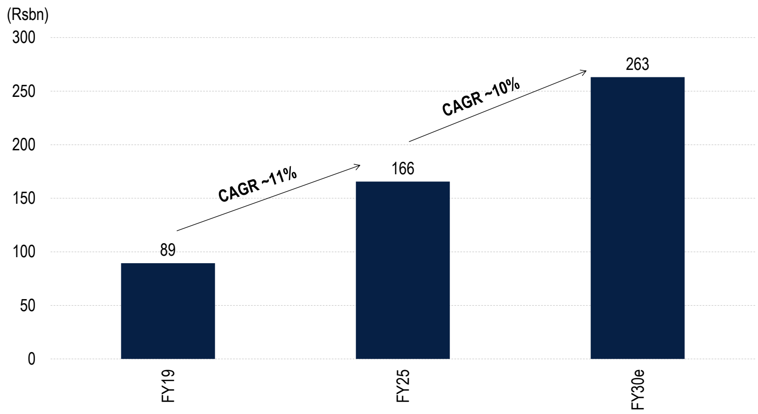


Source: Silver Consumer Electricals DRHP, Anand Rathi Research

India's Fans Market Size

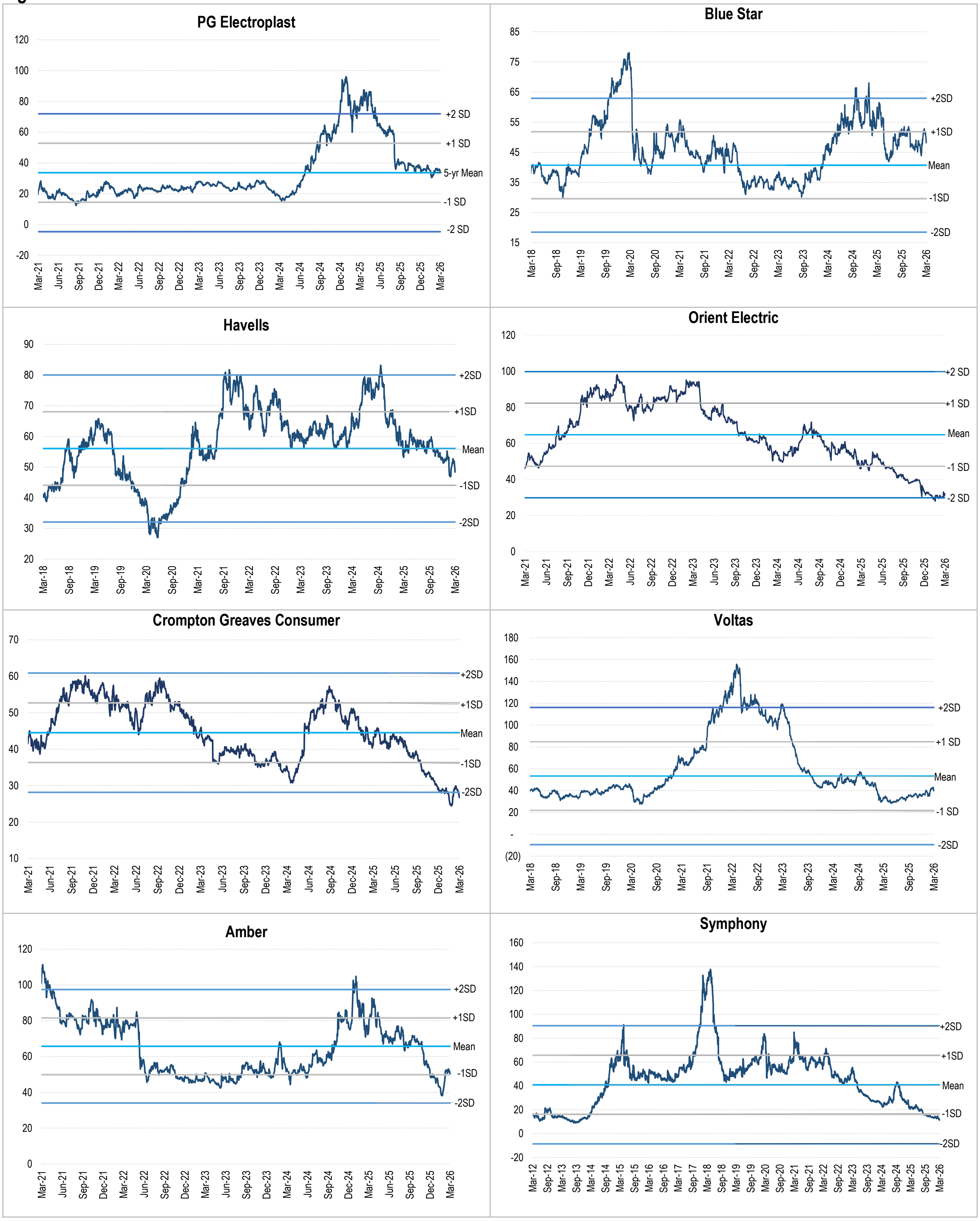
India's fan market (ceiling, TPW, industrial and exhaust) surged to Rs165.6bn in FY25 with volume of 77.1m units from Rs89.4bn and 67.7m units in FY19, reflecting steady structural growth. The market is projected to clock ~9.7% CAGR in value terms to ~Rs263bn by FY30, while volume is expected to rise to ~85m units, aided by housing expansion, replacement demand, premiumisation (BLDC/energy-efficient fans) and rising penetration in semi-urban and rural markets.

Fig 9 – Fan market projected to clock ~10% CAGR over FY25-30e



Source Silver Consumer Electricals DRHP, Anand Rathi Research

Fig 10 – Band charts



Source: Company, Anand Rathi Research

Fig 11 – Valuation Summary

Company	CMP	TP	Upside	Rating	P/E (x)					ROE (%)					ROCE (%)				
					FY24	FY25	FY26e	FY27e	FY28e	FY24	FY25	FY26e	FY27e	FY28e	FY24	FY25	FY26e	FY27e	FY28e
Amber	7,660	9,575	25%	Buy	194.2	106.4	97.8	47.8	32.0	6.4	10.7	5.7	14.0	17.3	8.3	12.1	10.7	15.2	19.2
Dixon	10,129	13,500	33%	Buy	164.7	81.3	65.6	48.6	33.6	21.7	28.2	24.0	22.8	25.1	28.2	32.5	28.5	32.6	36.5
PGEL	593	825	39%	Buy	114.4	58.5	54.7	32.6	23.8	13.0	10.1	9.8	14.2	16.3	15.1	13.2	13.3	17.5	20.2
Bajaj Electricals	357	415	16%	Hold	30.3	36.8	170.6	32.8	21.5	9.4	7.7	-0.2	7.1	10.2	10.5	9.5	1.4	9.2	12.4
Crompton	244	340	39%	Buy	35.7	28.3	30.9	26.2	21.5	14.7	16.4	14.4	16.1	18.1	14.4	17.8	15.9	18.0	20.2
Orient Electric	188	230	22%	Buy	65.5	48.2	43.2	31.1	24.5	11.8	12.0	12.0	17.1	20.8	13.5	18.4	19.1	24.6	29.4
TTK Prestige	491	743	51%	Hold	29.8	40.5	41.2	34.6	21.4	10.9	6.0	8.4	9.7	14.4	11.1	9.6	6.6	8.2	14.0
V-Guard	301	455	51%	Buy	50.8	41.8	41.2	30.0	23.9	14.2	15.0	13.7	16.5	17.9	15.7	19.0	17.0	20.8	22.7
Blue Star	1,838	2,188	19%	Buy	91.1	65.3	60.4	47.4	37.0	15.9	18.9	18.4	20.2	21.6	15.2	17.2	16.5	18.3	19.7
Symphony	769	1,069	39%	Hold	35.2	20.5	28.5	23.0	20.1	18.5	34.0	22.8	24.3	23.3	12.9	23.8	14.9	16.9	16.7
Voltas	1,439	1,473	2%	Hold	188.9	56.6	80.7	54.3	43.1	4.5	13.6	8.6	12.4	14.2	4.0	10.2	6.8	9.3	10.7
Havells	1,318	1,624	23%	Buy	65.0	56.1	54.8	45.2	39.0	18.1	18.7	16.4	18.5	19.1	14.3	14.7	14.1	15.8	16.4

Source: Company, Anand Rathi Research

Valuation Summary (contd.)

Company	Revenues					EBITDA					EBITDA Margin (%)					Adj. PAT				
	FY24	FY25	FY26e	FY27e	FY28e	FY24	FY25	FY26e	FY27e	FY28e	FY24	FY25	FY26e	FY27e	FY28e	FY24	FY25	FY26e	FY27e	FY28e
Amber	67,293	99,730	1,25,660	1,61,001	2,03,521	4,919	7,634	9,460	13,905	18,930	7.3	7.7	7.5	8.6	9.3	1,329	2,436	2,754	5,629	8,403
Dixon	1,76,909	3,88,601	4,90,913	6,63,708	8,97,547	6,976	15,076	19,576	25,888	36,362	3.9	3.9	4.0	3.9	4.1	3,677	7,506	9,309	12,558	18,167
PG Electroplast	27,465	48,695	59,550	81,098	1,04,236	2,618	4,831	5,479	8,191	10,736	9.5	9.9	9.2	10.1	10.3	1,349	2,868	3,069	5,142	7,068
Bajaj Electricals	46,413	48,284	44,865	46,591	48,929	2,597	3,075	1,735	3,154	3,876	5.6	6.4	3.9	6.8	7.9	1,359	1,121	241	1,255	1,915
Crompton	73,128	78,636	79,410	86,767	94,889	7,137	8,882	7,968	9,165	10,826	9.8	11.3	10.0	10.6	11.4	4,399	5,559	5,091	5,986	7,293
Orient Electric	28,121	30,937	32,727	35,547	38,370	1,443	2,037	2,152	2,678	3,179	5.1	6.6	6.6	7.5	8.3	613	832	928	1,292	1,640
TTK Prestige	26,781	27,148	28,594	30,349	32,607	3,037	2,577	2,002	2,428	3,913	11.3	9.5	7.0	8.0	12.0	2,285	1,660	1,631	1,943	3,144
V-Guard	48,567	55,778	59,798	68,082	76,711	4,267	5,132	5,200	6,898	8,464	8.8	9.2	8.7	10.1	11.0	2,576	3,137	3,183	4,371	5,480
Blue Star	96,854	1,19,677	1,28,817	1,49,738	1,75,631	6,649	8,759	9,527	11,960	14,977	6.9	7.3	7.4	8.0	8.5	4,150	5,788	6,252	7,968	10,225
Symphony	11,560	12,560	10,826	13,048	14,656	1,689	2,960	2,041	2,647	3,021	14.6	23.6	18.9	20.3	20.6	1,505	2,570	1,854	2,298	2,621
Voltas	1,24,812	1,54,128	1,49,331	1,77,233	2,08,228	4,746	11,162	8,258	12,412	15,467	3.8	7.2	5.5	7.0	7.4	2,520	8,414	5,898	8,770	11,033
Havells	1,85,900	2,17,781	2,31,630	2,62,398	2,98,769	18,426	21,309	22,135	27,126	31,150	9.9	9.8	9.6	10.3	10.4	12,708	14,723	15,070	18,251	21,198

Source: Company, Anand Rathi Research

Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

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