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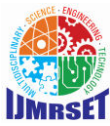Impact Factor: 7.521

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An Empirical Analysis of Selected Indian Consumer Durable Companies

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ABSTRACT: This comprehensive report provides insights into the Indian consumer durables industry, focusing on key players Titan Company Limited, Havells India Limited, and Voltas Limited. Despite challenges like the COVID-19 pandemic, the sector has shown resilience driven by rising disposable incomes, urbanization, and changing consumer preferences. Government initiatives like Aatmanirbhar Bharat and Make in India, along with increased digital influence and rising demand from tier-II and tier-III cities, are driving factors for industry growth. The report evaluates the internal and external factors influencing each company's performance and competitiveness. Despite challenges, all three companies demonstrate resilience and strategic initiatives to capitalize on opportunities and mitigate threats in the dynamic market landscape. Further, the report explores various aspects of the consumer durables industry, including market analysis, consumer behaviour, marketing strategies, supply chain management, and financial performance. Through studies on factors influencing consumer buying behaviour, innovation impact, marketing strategies, and financial performance analysis, stakeholders gain valuable insights for navigating the industry's dynamic landscape.

I. INTRODUCTION

India is that the second largest consumer market within the world. With the continuous inflow of disposable income and the advancement of technology, the need for varied consumer durable goods is increasing. This in turn is leading to strong competition among the different consumer durable brands available in the nation. The rural and urban market of consumer durables has been growing at a rate of around 15 % on average. When a new durable is introduced initially a small fraction of the population will purchase it and gradually its potential buyers will increase.

Cosummer durable companies are those that manufacture and sell products that have a long life and are not frequently replaced by consumers. Consumer durables can be broadly categorized into the following 3 heads: White Goods: White goods mainly include air conditioners, refrigerators, washing machines, audio equipment and speakers. Brown Goods: This kind of consumer durable mostly includes kitchen appliances like chimneys, electric fans, grinders, iron, microwave ovens, mixers and varied other cooking ranges.   Consumer Electronics: Some of the mostly used consumer electronic goods are DVD players, MP3 players, mobile telephones, telephones, VCD players etc. The industry consists of durable goods and appliances for domestic use such as televisions, refrigerators, air conditioners and washing machines. Instruments such as cell phones and kitchen appliances like microwave ovens are also included in this category. This sector has been witnessing significant growth in recent years. They often set the pace for innovation in the industry and contribute to technological advancements in other sectors as well. Consumer durable companies are increasingly focused on promoting sustainability by manufacturing energy-efficient products and adopting ecofriendly practices. This helps to reduce the carbon footprint of consumers and contribute to environmental conservation. These companies build strong brands by delivering high-quality products and services. They also invest in marketing campaigns to create awareness and establish themselves as market leaders.

Strong brands are important for creating customer loyalty and sustaining a competitive advantage. Consumer durable companies have experienced steady growth in India over the past few decades. According to a report by the India Brand Equity Foundation, the Indian consumer durables market was valued at US\$ 10.9 billion in 2021 and is expected to reach US\$ 21.18 billion by 2025, growing at a CAGR of 14.2% during the forecast period. India's per capita income has increased by more than 30% compared to six years before leading to an increase in disposable income. This increases the consumption of consumer electronics & appliances to raise their standard of living. The coronavirus outbreak impacted the life of individuals, communities and businesses around the world in 2020. Almost all the businesses in

India tooka major hit due to the nationwide lockdown implemented by the government.

In this report, top three consumer durable companies are chosen on the basis of market capitalization. The companies are Titan Company Limited, Havells India Limited, and Voltas Limited. Its market capitalization is: Rs. 223269.34Cr, Rs. 74460.68Cr., Rs. 26927.40 Cr. respectively. These companies have built strong brands and reputations through their innovative products, marketing strategies, and customer service. In India, the consumer durable industry has seen significant growth in recent years, driven by rising disposable incomes, increasing urbanization, and changing consumer preferences.

II. LITERATURE REVIEW

Lakshmi, (2016). Impact of brand name equity on customer satisfaction and get intention of air conditioners in Chennai. The objective of this research is to know the impact of brand equity on customer satisfaction and purchase intention of air conditioners in Chennai. The technique used to select the sample size of 106 respondents in Chennai was stratified random sampling. The collected data had been analysed using descriptive method and statistical techniques such as t-test, one-way ANOVA and Pearson Correlation. From the study, it was found that brand equity had a great significant impact on customer satisfaction and their purchase intention of Air conditioners. If the marketer and manufacturers understand the brand equity concept, it would help them in selling air conditioners better. Jain and Maheshwari (2019) analysed the factors influencing consumer buying behaviour for durable goods in India. The study found that product quality, price, brand image, and after-sales services were the key factors influencing consumers' buying decisions. The study also highlighted the importance of digital marketing and ecommerce platforms in reaching out to consumers.

Pooja Sharma and Reena Kaur, (2019). "Consumer Durables Industry in India: Growth,Opportunities, and Challenges. The objective of this report was to analyse the growth potential of the Indian consumer durable industry. The report used secondary data sources, including industry reports, government statistics, and academic studies, to analyse the trends and growth potential of the consumer durable industry in India. The report noted that the industry was expected to grow at a CAGR of 10% over the period of 2020-2025, driven by factors such as rising disposable incomes, growing urbanization, and increasing awareness of energy efficiency and sustainability.

Kaur and Kaur (2020) analysed the financial performance of consumer durable companies in India from 2014 to 2019. The study used financial ratios to evaluate the companies' liquidity, profitability, and solvency. The findings showed that the companies' profitability improved significantly during this period, while liquidity remained stable. However, the solvency position of the companies deteriorated over time.

Sonia Kumar, (2020). STUDY OF MARKET ANALYSIS OF LG CONSUMER DURABLES. The main objective of this research is to find out the analysing the marketshare of the LG and to analyse the customers what they want, prefer and how LGreached to the consumer an increase their market share. A sample of 106 respondentswas taken under consideration. For this researcher, both primary and secondary data has been used to collect the data were collected were by circulating the questionnaire through social media like WhatsApp while, the secondary data were collected through various published research papers and websites. The questionnaire were circulate to the various respondents and the response were analysed by applying various test likecorrelation and regression analysis. We came to conclusion that the degree of association between the Buyers of LG consumer durables with other variables areshowing both positive as well as negative correlation.

After analyzing the data collected from 106 respondents. 85% of customers purchased consumer durable form LG, but 15% customers purchased consumer durable from Other Brands. There are many people satisfied with consumer durables from LG products. So, we can say that LG has a good image and top in consumer durable brandsin the Indian market.

Dr. PRASANT SARANGI, (2020). THE INDIAN CONSUMER DURABLEMARKET AND AN ANALYSIS OF DEMAND PATTERN FOR MAJOR DURABLES.

The basic objective of the present study is to explore the effect of variousdeterminants in the purchase of major and minor durables and to study the Indianmarket of consumer durable industry and to explore the effect of some important quantitative determinants of demand for major durables in the study area. This study is based on both secondary and primary data. The secondary data has been used to reviewthe current scenario of durable goods demand in India. The primary data is based on the structured questionnaires developed for the study. The primary data was collected by a sample survey of 165 households of Kalamboli, a small township of Navi Mumbaiof Maharashtra State.

The study reveals that income, number of durables possessed, age and education level of the household head have significant effect on the demand for most of the major durables. Household size which is another important variable has significant negative effect on the demand for television and washing machine but insignificant positive effect on the demand for refrigerator and air conditioner .Age of the head of the household has significant negative effect on the demand for washing machine and also on refrigerator but significant positive effect on the demand for television and air conditioner which may be due to the fact that older household heads do not prefer to own washing machine and do not prefer to eat food and vegetable preserved in refrigerators.

III. OBJECTIVE OF THE STUDY

- To understand about consumer durable industry and its major players in India
- Identify robustness of companies
- To analyse the market environment and competitiveness
- To identify and analyse the valuation of the selected stock using CAPM and applying SML.
- Estimate equity valuation of three selected companies.

IV. SOURCES OF DATA

Based on market capitalization three companies are selected. The analysis is based on secondary data collected for the purpose of empirical evaluation of stock prices from various organizational databases, websites, newspapers and other necessary official records, books, and magazines. Monthly closing prices is taken for analysis purpose from year 2019 to 2023.

V. METHODOLOGY

Research design indicates the method and procedure of conducting research study. The study adopts descriptive research design. The study undertaken is analytical in nature. Period of study. The study used the secondary sources of information for the past 5 years from 2019 to 2023. CAPM and Equity Valuation have been used to find out the performance of consumer durable companies in India.

VI. ANALYSIS AND FINDINGS

CAPITAL ASSET PRICED MODEL
The capital asset pricing model - or CAPM - is a financial model that calculates the expected rate of return for an asset or investment. describes the relationship between systematic risk, or the general perils of investing, and expected return for assets, particularly stocks.

The formula of CAPM is:

$ER_i = R_f + \beta_i(ER_m - R_f)$ where:

ER_i = expected return of investment R_f = risk-free rate β_i = beta of the investment
$(ER_m - R_f)$ = market risk premium

BETA
The beta of a potential investment is a measure of how much risk the investment will add to a portfolio that looks like the market. If a stock is riskier than the market, it will have a beta greater than one. If a stock has a beta of less than one, then it will reduce the risk of a portfolio.

	Titan	Havells	Voltas
Beta	1.056	1.024	0.968
Expected return	11.09%	10.88%	10.56%
Annual return of Stocks	24.15%	21.29%	4.75%

Source: Author's own compliance

Thus, from the above table we can say that Titan and Havells are having beta more than 1 which indicates that the stock price is more volatile than the market whereas the beta of Voltas limited is less than 1 which indicate that the stock price is less volatile than the marketand hence will reduce the risk.

SECURITY MARKET LINE (SML)

The security market line (SML) is a line drawn on a chart that serves as a graphical representation of the capital asset pricing model (CAPM)—which shows different levels of systematic, or market risk, of various marketable securities, plotted against the expected returnof the entire market at any given time.

	beta	CAPM Return	Actual
Rf	0	0	4.91%
Titan Company Limited	1.060	11.09%	24.15%
Havells India Limited	1.024	10.88%	21.29%
Voltas Limited	0.969	10.56%	4.75%

Source: Author's own compliance

ANNEXURE

TITAN COMPANYLIMITED					
	2023	2022	2021	2020	2019
SALES (Cr.)	35,624.00	25,832.00	19,046.00	19,732.26	18,885.34
NET PROFIT (Cr.)	3,333.00	2,180.00	877	1,517.63	1,374.36
OPERATING PROFIT	4770	3279	1701	2417.73	2002.21
ROA (%)	13.28	10.82	5.52	11.5	11.98
ROE (%)	27.78	23.25	11.61	22.23	22.23
EPS	37.54	24.56	9.88	17.09	15.48
DIV. PER SHARE	10	7.5	4	4	5
OUTSTANDING SHARES	88.78	88.78	88.78	88.78	88.78
MARKET CAPITALIZATION	246760	185026	107903	93658	83351
BOOK VALUE	134.76	105.31	84.87	76.87	69.63

HAVELLS INDIALIMITED					
	2023	2022	2021	2020	2019
SALES (Cr.)	16,868.38	13,785.50	10,353.35	9,396.04	9,967.42
NET PROFIT (Cr.)	1,074.95	1,194.73	1,039.64	733.03	791.52
OPERATING PROFIT	1602.96	1757.61	1565.26	1027.38	1192.19
ROA (%)	9.64	11.37	11.78	10.4	11.02
ROE (%)	16.25	19.94	20.13	17.02	18.65
EPS	17.16	19.08	16.61	11.71	12.66
DIV. PER SHARE	7.5	7.5	6.5	4	4.5
OUTSTANDING SHARES	62.6	62.63	62.6	62.58	62.54

VII. CONCLUSION

From the consumer durable companies' analysis, it can be concluded that this sector has huge potentialities to grow in near future in India. Further, the present government's initiative "Makein India' could act as a greatest opportunity to this sector. These initiatives have provided impetus to the consumer durable sector, leading to increased production and employment opportunities. It is concluded that the consumer durable companies contribute a great percentage towards the growth of GDP of India. The consumer durable segment is hugely diversified. Further in the report I have analyzed three companies on the basis of market capitalization and have also done the SWOT and Porters five forces analysis of each company. Additionally, have calculated the beta and drawn SML chart to show which company stock is overvalued or undervalued. Hence it is found that Titan, Havells and Voltas are the key players in this industry. Voltas being the leader in AC segment in India following by Blue Star while Havells India Limited's most of the revenue comes from the electric equipment and for Titan, Tanishq contributes a major part to its income.

The consumer durable industry in India is highly competitive, with several established players and emerging companies. Investors should carefully analyze the competitive landscape, including market share, brand positioning, product portfolio, and distribution channels of the companies they are considering. Investors should assess the growth drivers of consumer durable companies, such as their ability to innovate, introduce new products, and adapt to changing consumer trends. Companies that consistently invest in research and development, product differentiation, and marketing initiatives may have a competitive edge.

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