

RESEARCH

BOB ECONOMICS RESEARCH | BONDS WRAP

Fortnightly review

BOB ECONOMICS RESEARCH | CURRENCY UPDATE

Fortnightly forex review

CROMPTON GREAVES | TARGET: Rs 400 | +18% | BUY

Healthy quarter, growth ahead

Daily macro indicators

Indicator	14-May	15-May	Chg (%)
US 10Y yield (%)	4.44	4.34	(10bps)
India 10Y yield (%)	7.11	7.08	(3bps)
USD/INR	83.51	83.50	0.0
Brent Crude (US\$/bbl)	82.4	82.8	0.4
Dow	39,558	39,908	0.9
Hang Seng	19,115	19,074	(0.2)
Sensex	73,105	72,987	(0.2)
India FII (US\$ mn)	13-May	14-May	Chg (\$ mn)
FII-D	(113.1)	(9.8)	103.3
FII-E	(525.9)	(300.9)	225.0

Source: Bank of Baroda Economics Research

SUMMARY

INDIA ECONOMICS: BONDS WRAP

Volatility in US 10Y yield steered movement in bond yields of major economies. Reverberation was primarily felt in major AEs such as Germany and UK. Even EMs were also not left out. The upward momentum in India's 10Y yield which was observed in Apr'24 was completely reversed in May'24, led by fall in US 10Y yield. Softer pace of outflow in the FPI debt segment (US\$ 88mn outflow, for 1-15 May) compared to US\$ 1.3bn outflow seen in Apr'24) also supported domestic 10Y yield in the current month. Going forward, we expect India's 10Y yield to remain in the range of 7.05-7.15% in the remaining days of May'24. Jun'24 is expected to see further downward correction in yield in anticipation of higher frontloading by FPI's ahead of inclusion in the JP Morgan global bond index.

[Click here](#) for the full report.

INDIA ECONOMICS: CURRENCY UPDATE

INR traded in a thin range in May'24 and depreciated marginally by 0.1%. This was notwithstanding a drop in DXY as well as lower oil prices. Outflows from domestic equities fueled by uncertainty over the outcome of general elections weighed on the domestic currency. However, RBI efficient management ensured that stability in the currency was maintained with a trading range of 83.43-83.53/\$. In the next fortnight, we expect weakness in INR to continue amidst FPI outflows, with an expected trading range of 83.25-83.50/\$. However, FPI inflows are likely to resume following the election results and we continue to expect INR to end FY25 marginally stronger.

[Click here](#) for the full report.

BOBCAPS Research
 research@bobcaps.in



CROMPTON GREAVES

- Q4 standalone topline growth ex-BGAL at 12% YoY in Q4, gross margin expanded 130bps and EBITDA margin 30bps ex-BGAL
- ECD and lighting business showed healthy growth with EBIT margin expansion in both; BGAL's channel strategy in progress
- We raise our FY25E/FY26E EPS by ~4%/5% and value the stock at 33x Mar'26E P/E (30x earlier); maintain BUY with TP of Rs 400

[Click here](#) for the full report.

BONDS WRAP

16 May 2024

Fortnightly review

Volatility in US 10Y yield steered movement in bond yields of major economies. Reverberation was primarily felt in major AEs such as Germany and UK. Even EMs were also not left out. The upward momentum in India's 10Y yield which was observed in Apr'24 was completely reversed in May'24, led by fall in US 10Y yield. Softer pace of outflow in the FPI debt segment (US\$ 88mn outflow, for 1-15 May) compared to US\$ 1.3bn outflow seen in Apr'24) also supported domestic 10Y yield in the current month. Going forward, we expect India's 10Y yield to remain in the range of 7.05-7.15% in the remaining days of May'24. Jun'24 is expected to see further downward correction in yield in anticipation of higher frontloading by FPI's ahead of inclusion in the JP Morgan global bond index.

Dipanwita Mazumdar
Economist

System liquidity albeit being in deficit will get comfort from faster pace of growth of deposits compared to credit which is seen currently. Further, slower pace of accretion in CIC compared to same period of last year, is not expected to put any untoward pressure on liquidity, going forward.

US 10Y yield guided movement of major global yields:

- US 10Y yield exhibited considerable volatility in Apr'24 and May'24. It rose by 48bps in Apr'24. Factors which drove yield higher were stickier inflation print and tighter labour market data. This coupled with speeches of central bank officials which are forward signaling for the market, also hinted at wait and watch cautious approach going forward. However, the undertone completely changed in May'24 where US 10Y yield fell by 34bps. In the last trading session itself, it fell by 10bps. This was led by softer reading of current CPI and core print, which again fueled bets of rate cut to start this year. CMIE Fed watch tool is attaching the highest probability for 25bps rate cut by Fed in Sep'24.
- US 10Y yield has been the primary driver guiding the movement of other global yields. Other central banks such as BoE and ECB are also erring on the side of caution. BoE's Chief Economist also hinted at restrictive monetary policy approach. However, for ECB, traders are pricing in an earlier cut in Jun'24 as EU has cut its inflation forecast for CY24 to 2.5% from 2.7% earlier.
- 10Y yield in Japan reacted to reports of cut in bond purchase by BoJ by ~ ¥ 50bn of 5-10Year duration papers. Thus, 10Y yield will continue to exhibit upward momentum. China's 10Y yield is likely to get support from targeted government stimulus.



CURRENCY UPDATE

16 May 2024

Fortnightly forex review

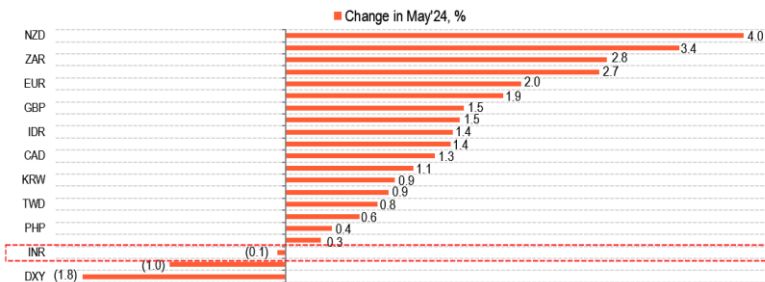
INR traded in a thin range in May'24 and depreciated marginally by 0.1%. This was notwithstanding a drop in DXY as well as lower oil prices. Outflows from domestic equities fueled by uncertainty over the outcome of general elections weighed on the domestic currency. However, RBI efficient management ensured that stability in the currency was maintained with a trading range of 83.43-83.53/\$. In the next fortnight, we expect weakness in INR to continue amidst FPI outflows, with an expected trading range of 83.25-83.50/\$. However, FPI inflows are likely to resume following the election results and we continue to expect INR to end FY25 marginally stronger.

Aditi Gupta
Economist

Movement in global currencies in May'24

In May'24, major global currencies appreciated against the dollar. The rally in global currencies was led by a weakness in dollar. DXY index, measuring the dollar's value against a basket of currencies is 1.8% lower in May'24, reversing the 1.7% gain it made last month. The dollar's misfortune can be attributed to a significant repricing of investors' rate cut expectations based on incoming data. Macro data suggests a somber start in Q2, setting up the stage for the start of Fed's rate cut cycle. Labour market conditions showed signs of relenting with non-farm payrolls increasing at the slowest pace in the last 6-months. Wage pressures too eased with increase in hourly earnings falling below 4% mark for the first time in nearly 3-years. Consumer demand too witnessed a sharp slowdown, as retail sales decelerated sharply in Apr'24. On the other hand, inflationary pressures seem to be abating. CPI inflation in the US moderated more than expected in Apr'24, after remaining elevated in Q1 CY24. Given the fact that Fed officials, including the Fed Chair have advocated a data dependent approach, the macro prints so far look encouraging and may tilt the Fed towards monetary policy easing. Hence, the probability of a rate cut in Sep'24 has increased significantly to 54% currently from just 38% as of 30 Apr 2024, as per the CME Fed Watch Tool which is weighing on the dollar.

Figure 1: Movement in global currencies in Apr'24



Source: Bloomberg, Bank of Baroda Research | Note: Data as of 15 May 2024 | Figures in brackets indicate depreciation against the dollar



BUY
 TP: Rs 400 | ▲ 18%

CROMPTON GREAVES

Consumer Durables

16 May 2024

Healthy quarter, growth ahead

- Q4 standalone topline growth ex-BGAL at 12% YoY in Q4, gross margin expanded 130bps and EBITDA margin 30bps ex-BGAL
- ECD and lighting business showed healthy growth with EBIT margin expansion in both; BGAL’s channel strategy in progress
- We raise our FY25E/FY26E EPS by ~4%/5% and value the stock at 33x Mar’26E P/E (30x earlier); maintain BUY with TP of Rs 400

Swati Jhunjhunwala | Arshia Khosla
 research@bobcaps.in

Healthy quarter: Crompton reported consolidated topline growth of 9.5% YoY to Rs 19.6bn, with gross margin expanding 40bps to 31.9%, though EBITDA margin contracted by 140bps to 10.4%, largely due to BGAL’s poor performance. On a standalone basis (ex-BGAL), the company’s gross margin expanded 130bps YoY to 32%, while EBITDA margin expanded 30bps to 12.5%. The EBITDA included Extended Producer Responsibility (EPR) costs of Rs 142mn during the quarter. Adjusted PAT was reported at Rs 1.3bn. During FY24, the company’s standalone revenues grew 10% YoY to Rs 63.9bn, with flattish gross margin of 30.9% and 80bps EBITDA margin contraction to 10.8%. Promotional expenditure amounted to 3.4% of standalone revenues, compared to 2.5% in FY23.

ECD and lighting decent: The ECD segment reported topline growth of 14.3% in Q4, with EBIT margin expansion of 80bps YoY (ex-EPR impact) to 17.2%. Lighting delivered healthy volume growth in B2C lighting, with EBIT margin expansion of 30bps YoY (ex-EPR impact).

Management strategies playing out: Cost savings initiatives, premiumisation, and growth through alternate channels are starting to show benefits. Alternate channels grew 37% YoY, led by 75% growth through the e-commerce channel. E-commerce contributed to sales in excess of Rs 1bn during Q4, driven by fans and appliances. Exports contributed over Rs 1bn in FY24. The company had a net cash balance of Rs 2.4bn at the end of FY24 compared to net debt of Rs 1.9bn in FY23. The company plans to incur a capex of ~Rs 1bn in FY25.

Maintain BUY: Crompton is a market leader in fans, and has tackled the ongoing price erosion in the lighting industry well. However, BGAL is facing industry-related as well as internal issues, which we expect will subside over the next 2-3 quarters. We raise FY26E EPS by ~4%/5%, on a likely turnaround in BGAL and margin expansion in the ECD segment as a result of ongoing efforts in premiumisation, sales from alternate channels, and e-commerce sales. Rolling forward valuations to Mar’26E, we arrive at a higher TP of Rs 400 (previously Rs 330), based on 33x P/E (30x earlier) – a 5% discount to the 5Y mean.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	CROMPTON IN/Rs 339
Market cap	US\$ 2.6bn
Free float	100%
3M ADV	US\$ 15.3mn
52wk high/low	Rs 345/Rs 252
Promoter/FPI/DII	0%/40%/44%

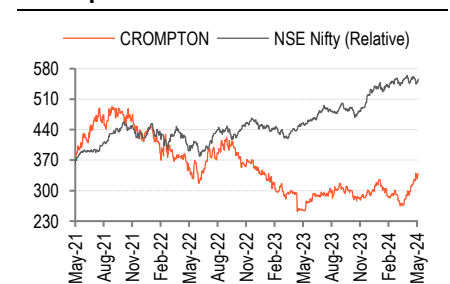
Source: NSE | Price as of 16 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	73,128	86,763	99,840
EBITDA (Rs mn)	7,137	9,537	11,182
Adj. net profit (Rs mn)	4,399	6,417	7,739
Adj. EPS (Rs)	6.9	10.1	12.2
Consensus EPS (Rs)	6.9	8.9	11.0
Adj. ROAE (%)	15.5	19.9	20.7
Adj. P/E (x)	49.0	33.6	27.9
EV/EBITDA (x)	29.5	21.9	19.0
Adj. EPS growth (%)	(5.0)	45.9	20.6

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA (“US”) OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**

Logo:  **BOBCAPS**
 TRUST | INNOVATION | EXCELLENCE

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd ("MSL") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as "MAYBANK"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.