FIRST LIGHT

18 February 2025

RESEARCH

BOB ECONOMICS RESEARCH | BONDS WRAP

Fortnightly review

BOB ECONOMICS RESEARCH | CURRENCY UPDATE

Fortnightly forex review

HINDWARE HOME INNOVATION | TARGET: Rs 250 | +28% | BUY

Another disappointing quarter on muted demand

SUMMARY

INDIA ECONOMICS: BONDS WRAP

Global yields in the first fortnight of Feb'25 reflected some risk off sentiments amid ongoing global protectionism. India's 10Y yield remained rangebound supported by RBI's rhetoric of a softer policy going forward. Increased quantum of OMO purchases, especially redirected towards long end papers will also remain supportive of yields. In the coming days, led by an auction light calendar (only two auctions left for this fiscal), we expect not much momentum in domestic yield. The only bit of wriggling might be on account of some gesticulation of US yields or domestic liquidity. We expect India's 10Y yield to trade in the range of 6.65-6.75% in the current month. Liquidity conditions will continue to get support from RBI's long end repos and OMO auctions.

Click here **for the full report.**

INDIA ECONOMICS: CURRENCY UPDATE

After touching record lows at the start of Feb'25, INR made a steady recovery in the last week. INR has been under pressure ever since the US elections, as US policies, particularly on tariffs and taxes, supported a stronger dollar. In the initial phase of the US President's second term, global markets experienced heightened volatility. The impact was felt on EM currencies including INR. INR fell to a record low of 87.58/$ of 6 Feb 2025, but recovered quickly in the period thereafter as US tariff stance softened. Going ahead, INR's trajectory is likely to be determined by the movement in dollar. Escalation in global tariff war and a change in US Fed stance can once again put INR under pressure. RBI's intervention is likely to be limited going ahead given the tight domestic liquidity situation. We expect INR to trade in the range of 86.5-87.5/$ in the near-term.

Click here **for the full report.**

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HINDWARE HOME INNOVATION

- Dismal Q3 on weak performance across segments due to muted demand environment
- Demand remains sluggish in Q4FY25 (YTD); bathware & consumer product performances to improve over the next 2-3 quarters
- Maintain BUY; TP cut by 38% to Rs 250 on sharp earnings downgrade as well as cut our target P/E (from 30x to 20x)

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BONDS WRAP

17 February 2025

Fortnightly review

Dipanwita Mazumdar
Economist

Global yields in the first fortnight of Feb'25 reflected some risk off sentiments amid ongoing global protectionism. India's 10Y yield remained rangebound supported by RBI's rhetoric of a softer policy going forward. Increased quantum of OMO purchases, especially redirected towards long end papers will also remain supportive of yields. In the coming days, led by an auction light calendar (only two auctions left for this fiscal), we expect not much momentum in domestic yield. The only bit of wriggling might be on account of some gesticulation of US yields or domestic liquidity. We expect India's 10Y yield to trade in the range of 6.65-6.75% in the current month. Liquidity conditions will continue to get support from RBI's long end repos and OMO auctions.

Global yields traded in a thin range:

- The first fortnight of Feb'25 didn't show much momentum for 10Y yields of major economies. For the US, broadly risk off sentiments came into play before frontloading of full tariffs. Its 10Y yield fell by 9bps cumulatively, in Jan and Feb (till date). The unchanged borrowing calendar for the next quarter also kept US 10Y yields largely capped. On macro front, the signaling remained mixed with hotter than expected CPI and core CPI reading, stickier average hourly earnings data albeit some softening in payroll numbers. This got translated in the 1Yr inflation expectations data which rose to 4.3% against 3.3% earlier. On the other hand, some demand indicators showed a loss of momentum such as retail sales and core retail sales (excl. auto and gas) and softening ISM services print. Fed officials, including Fed Chair vouched for cautious data dependent approach. We expect the timing of the next Fed rate cut is likely to be postponed to H2 as the evolution of tariff and counter tariff measures take shape.

- Yields of UK and Germany also showed softening bias. For the UK, BoE's recent rate cut decision and forward guidance of staggered easing have lent support. The moderation of growth forecast also coincides with some high frequency data being toned down such as services PMI, new car registrations and broadly flat private consumption data (QoQ, 4th Quarter estimate). For Germany, softening CPI print and repeated statements of ECB officials hinting at flexibility towards further easing on account of downside risks to inflation, have contributed towards moderation of yields. The considerable softening of Indonesia's 10Y yield happened on account of its currency volatility amidst the tariff turmoil.

CURRENCY UPDATE

17 February 2025

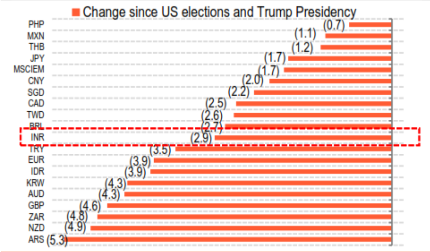
Fortnightly forex review

Aditi Gupta
Economist

After touching record lows at the start of Feb'25, INR made a steady recovery in the last week. INR has been under pressure ever since the US elections, as US policies, particularly on tariffs and taxes, supported a stronger dollar. In the initial phase of the US President's second term, global markets experienced heightened volatility. The impact was felt on EM currencies including INR. INR fell to a record low of 87.58/$ of 6 Feb 2025, but recovered quickly in the period thereafter as US tariff stance softened. Going ahead, INR's trajectory is likely to be determined by the movement in dollar. Escalation in global tariff war and a change in US Fed stance can once again put INR under pressure. RBI's intervention is likely to be limited going ahead given the tight domestic liquidity situation. We expect INR to trade in the range of 86.5-87.5/$ in the near-term.

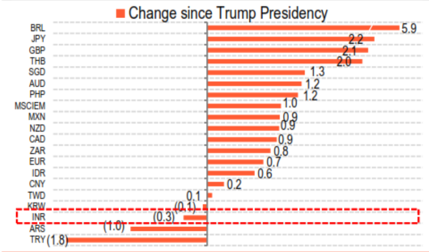
Global markets have seen sharp gyrations ever since the US elections. The period since the US elections can be roughly divided into 2 parts to understand the movement in global currencies. The first period was after the US elections and before the period that Donald Trump took office, which was marked by wild swings in global currencies amidst uncertainty over US policies. In this period, the median depreciation in a basket of 20 global currencies was 2.8%, while the DXY rose by 4.9%. In the same period, INR depreciated by 2.9%. The second period, which started after the US President assumed office, was marked by relative calm in the currencies market as the US adopted a more benign stance on its tariff policies. Movement in global currencies diverged, however, broadly there was a tendency for global currencies to appreciate. However, despite a 2.4% decline in the DXY index, INR depreciated by 0.3%.

Figure 1: INR depreciated by 2.9% after the US elections..



Source: Bloomberg, Bank of Baroda Research | Note: Change between 31 Oct 2024 and 20 Jan 2025| Figures in brackets indicate depreciation against the dollar

Figure 2: .. and further by 0.3% since Donald Trump took office



Source: CMIE, Bank of Baroda Research | Note: Change between 20 Jan 2025 and 14 Feb 2025 | Figures in brackets indicate depreciation against the dollar

Figure below breaks out the movement in INR since Sep'24. Between Sep-Oct'24, INR was relatively stable and depreciated only marginally by 0.3%. Volatility in the period was also muted at just 1%. However, volatility in INR surged since Nov'24, after the US election results. In this period, INR depreciated by ~3%.

BUY
TP: Rs 250 | ⮝ 28%

HINDWARE HOME INNOVATION

| Building Materials | 17 February 2025

Another disappointing quarter on muted demand

- **Dismal Q3 on weak performance across segments due to muted demand environment**
- **Demand remains sluggish in Q4FY25 (YTD); bathware & consumer product performances to improve over the next 2-3 quarters**
- **Maintain BUY; TP cut by 38% to Rs 250 on sharp earnings downgrade as well as cut our target P/E (from 30x to 20x)**

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Dismal quarter: HINDWARE Q3FY25 result came below our estimates (Revenue: -11%; EBITDA: -14%) driven by lower-than-expected bathware segment revenue (-15.9% YoY vs -5.0% estimated) and higher operating loss for the consumer product segment (Rs 97mn in Q3FY25 vs Rs 46mn in Q3FY24). Share of loss from JV (for water heater) has also gone up to Rs 51mn in Q3FY25 from Rs 16mn in Q3FY24. Overall, the company's revenue/EBITDA de-grew by 13.6%/43.8% YoY in Q3FY25. It posted net loss of Rs 178mn in Q3FY25 vs net profit of Rs 42mn in Q3FY24.

Key highlights: Bathware segment EBITDA was down by 37% YoY in Q3FY25 driven by lower revenue (-16% YoY) as well as sharp margin contraction (-335bps YoY to 10.2%) on account of muted demand environment. Plastic pipe segment EBITDA was down 2% YoY in Q3FY25 as the impact of higher volumes (+9.7%) was offset by margin pressure (-78bps YoY to 6.9%). Consumer appliances again posted sharp operating loss in Q3FY25 due to lower revenue (-40% YoY). Net debt was down to Rs 6.7bn in Dec'24 from Rs 9.2bn in Sep'24 due to the successful completion of the rights issue programme of Rs 2.5bn in Q3FY25.

Outlook: HINDWARE management believes market conditions continued to remain sluggish in Q4FY25 (YTD). Management expects the performance of bathware and consumer products to improve over the next two to three quarters due to the benefit of various strategic initiatives in distribution, product launches, engagement with influencers, new hirings in projects business, etc.

Maintain BUY; TP cut by 38% to Rs 250: We maintain our BUY rating on the stock as we expect its EPS to grow at a healthy 44% CAGR over FY24-FY27E over a weak base in anticipation of gradual improvement in its margin profile over the next two years. We reduce our TP to Rs 250 (Rs 400 earlier) due to sharp earnings downgrade based on weak Q3 results as well as cut our target P/E (from 30x to 20x on Dec'26E due to the dismal performance for the past four straight quarters). At the CMP, the stock trades at a P/E of 49.0x/16.3x on FY26E/FY27E.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	HINDWARE IN/Rs 195
Market cap	US$ 162.2mn
Free float	47%
3M ADV	US$ 0.4mn
52wk high/low	Rs 477/Rs 190
Promoter/FPI/DII	53%/4%/8%

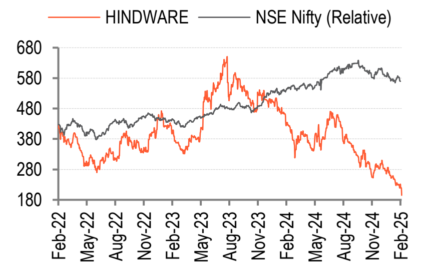
Source: NSE | Price as of 17 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	28,000	25,353	27,751
EBITDA (Rs mn)	2,383	1,499	2,321
Adj. net profit (Rs mn)	290	(385)	333
Adj. EPS (Rs)	4.0	(4.6)	4.0
Consensus EPS (Rs)	4.0	4.3	9.9
Adj. ROAE (%)	4.9	(5.4)	4.0
Adj. P/E (x)	48.6	(42.4)	49.0
EV/EBITDA (x)	4.3	4.4	3.3
Adj. EPS growth (%)	(49.5)	(214.6)	(186.5)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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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

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