

RESEARCH
BOB ECONOMICS RESEARCH | CURRENCY OUTLOOK

Fortnightly forex review

BOB ECONOMICS RESEARCH | BONDS WRAP

Fortnightly review

POLYCAB INDIA | TARGET: Rs 6,100 | +17% | BUY

Management meet takeaways: Brand refresh underway

Daily macro indicators

Indicator	30-Nov	1-Dec	Chg (%)
US 10Y yield (%)	4.33	4.20	(13bps)
India 10Y yield (%)	7.28	7.29	1bps
USD/INR	83.40	83.30	0.1
Brent Crude (US\$/bbl)	82.8	78.9	(4.8)
Dow	35,951	36,246	0.8
Hang Seng	17,043	16,830	(1.2)
Sensex	66,988	67,481	0.7
India FII (US\$ mn)	29-Nov	30-Nov	Chg (\$ mn)
FII-D	36.5	(10.9)	(47.4)
FII-E	517.7	1,169.1	651.4

Source: Bank of Baroda Economics Research

SUMMARY
INDIA ECONOMICS: CURRENCY OUTLOOK

Prospects that the Fed may soon start cutting its policy rates next year, have weighed on the dollar which has been trailing at a ~4-month low. Probability of a rate cut by the Fed as early as Mar'24 have increased to 55% as per the CME Fed Watch Tool. US treasury yields, which had traced multi-year highs last week have corrected sharply, putting further downside pressure on DXY.

While most global currencies have gained from this, the performance of INR has been underwhelming. The local currency remained under pressure and fell to a record-low several times during the last month alone. Strong dollar demand from importers have been fueling the weakness in INR, even as the macro backdrop has been supportive. RBI has been proactive in managing the level as well as the volatility in INR and the trend is likely to continue. We expect INR to trade in the range of 83-83.5/\$ in the next fortnight.

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

INDIA ECONOMICS: BONDS WRAP

Global yields got comfort from expectation of easing financial conditions in the coming year. CME Fed watch tool is pricing in a rate cut by Fed from Mar'24 onwards. Fed Chair's comments remained balanced. Yield of other AEs also followed US. Even yields in major EMs noticed a sharp correction in Nov'23. Inflation is showing signs of moderation in major economies on the back of stable energy prices. However indicators of growth remained blurry. Thus going forward, global yields will be guided by movement of US 10Y yield, where correction on the downside would persist in Dec'23 as well.

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

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POLYCAB INDIA

- New brand identity is aimed at driving demand and spurring FMEG business; EHV capacity addition on track
- Leadership maintained in core wires & cables business; Project Leap export target achieved well ahead of FY26 timeline
- Growth prospects remain strong; maintain BUY with TP of Rs 6,100 (unchanged)

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CURRENCY OUTLOOK

02 December 2023

Fortnightly forex review

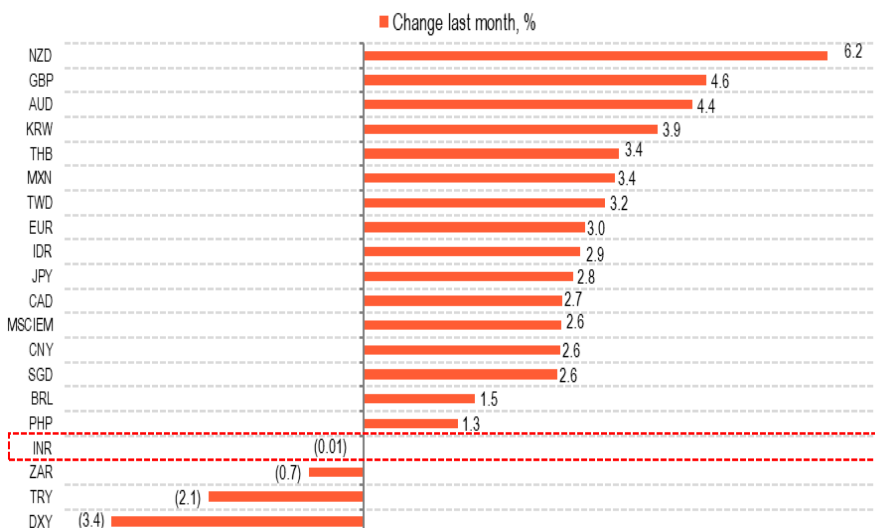
Prospects that the Fed may soon start cutting its policy rates next year, have weighed on the dollar which has been trailing at a ~4-month low. Probability of a rate cut by the Fed as early as Mar'24 have increased to 55% as per the CME Fed Watch Tool. US treasury yields, which had traced multi-year highs last week have corrected sharply, putting further downside pressure on DXY. While most global currencies have gained from this, the performance of INR has been underwhelming. The local currency remained under pressure and fell to a record-low several times during the last month alone. Strong dollar demand from importers have been fueling the weakness in INR, even as the macro backdrop has been supportive. RBI has been proactive in managing the level as well as the volatility in INR and the trend is likely to continue. We expect INR to trade in the range of 83-83.5/\$ in the next fortnight.

Aditi Gupta
Economist

Movement in global currencies

Most currencies appreciated against the dollar as investors do not expect any more rate hikes from the Fed. Expectations have strengthened around possible rate cuts, starting in early 2024, amidst a cooldown in inflation and slowdown in US economy, particularly in the housing and labor market. This has weighed on the dollar, and DXY which measures dollar strength against a basket of currencies, is down by about 3.4% in the month. Against the EUR, dollar is lower by 3%, even as the ECB is also likely to start its rate cut cycle sooner than expected, amidst a sharp decline in inflation.

Figure 1: Currency movement in the last fortnight



Source: Bloomberg, Bank of Baroda Research | Note: Change between 1 Nov 2023 and 1 Dec 2023 | Figures in brackets indicate depreciation



BONDS WRAP

02 December 2023

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Dipanwita Mazumdar
Economist

India's 10Y yield fell at a slowest pace compared to its major peers. The moderation in yield was arrested by tighter liquidity conditions. In the coming days as well, pressure on liquidity is going to persist as incremental credit and deposit gap in financial year till date is ~ Rs 3.4 lakh crore. Thus, RBI did not conduct any OMO sale in the secondary market in Nov'23. We expect India's 10Y yield to remain in the range of 7.25-7.35% this month. CPI data print for this month and RBI's articulation would be closely monitored.

Global yields on a downswing led by US:

- Risk appetite for sovereign securities increased in Nov'23. This was driven by anticipation of easing financial conditions, especially in the US. Softer labour market data of the region, likely impact of past period higher rates in the housing sector, pullback by consumers on spending as well as softer core PCE data, provided some comfort that Federal fund rates have already peaked. Fed Chair's recent speech was also more balanced, while a litany of other Fed officials did not refrain from hinting that if moderation in inflation is persistent, then easing may be on the cards.
- CME Fed watch tool has evolved interestingly, it is now pricing even a 50bps rate cut in Mar'24 meeting of Fed, with 8.3% probability attached to it, while 55.1% probability is attached for a 25bps rate cut. Thus the fair play of growth inflation dynamics, led US 10Y yield closed 60bps lower in Nov'23 over Oct'23. Even yesterday's close was 13bps lower.
- Other AEs also followed suit. Germany's 10Y yield moderated following softer growth and inflation data, which raised anticipation that ECB may also walk on similar lines of Fed. Thus, Germany's 10Y yield fell by 36bps in Nov'23 and further by 9bps in yesterday's close.
- 10Y Yields of other EMs such as Thailand and Indonesia also showed sharp correction in Nov'23, which moderated following respective central bank's hinting of a relatively comforting inflation amidst mixed performance of some growth indicators.



BUY

TP: Rs 6,100 | ▲ 17%

POLYCAB INDIA

Consumer Durables

04 December 2023

Management meet takeaways: Brand refresh underway

- New brand identity is aimed at driving demand and spurring FMEG business; EHV capacity addition on track
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We interacted with the management of Polycab. Key takeaways:

New brand identity to boost FMEG business: Polycab unveiled a new brand logo towards the end of September, aimed at encapsulating the company's leadership in wires & cables (W&C), the fast-moving electrical goods (FMEG) business and future readiness. Management believes the brand repositioning will bolster sales traction, deepen the company's pan-India presence and particularly help the FMEG business.

Demand outlook strong: After clocking robust 33% YoY revenue growth in H1FY24, the company expects momentum to continue in the second half, aided by favourable demand and market conditions. Management believes domestic demand will remain robust, backed by improving trends in capex and real estate, which should enable the cables business to outdo wires. Polycab expects the current 70:30 mix of cables to wires in revenue to continue for the remainder of the year. B2C business, which forms 33% of the mix, fetches better margins.

Project Leap targets likely to be met ahead of time: In FY21, Polycab had set a target of achieving Rs 200bn in revenue by FY26 under Project Leap, an implied 18% CAGR. The company is on track to achieving this milestone well before time but indicated that revisions to the target, if any, will be made only at the end of FY24. Polycab is also nearing its goal of 10% exports in the topline, reaching 9.3% in Q2FY24.

EHV capex on track: Work on the new extra-high voltage (EHV) cable facility is underway, with operations to start by end-FY26. For FY24, capex is guided at Rs 7bn.

Export outlook favourable: Exports contribute ~10% of sales. Polycab has various certifications which make exports easier. It is also planning warehouses in other geographies which will reduce delivery times and shorten the working capital cycle.

Maintain BUY: We are optimistic about Polycab's prospects given moats in its core W&C business, growth in FMEG and B2C expansion. With the company likely to outperform its sales target, we maintain our BUY rating with an unchanged TP of Rs 6,100, valuing the stock at 45x Sep'25E EPS, ~50% premium to the 3Y average.

Key changes

Target	Rating
◀ ▶	◀ ▶

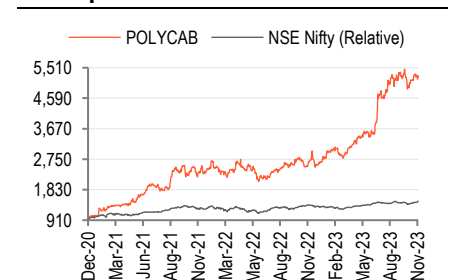
Ticker/Price	POLYCAB IN/Rs 5,235
Market cap	US\$ 9.5bn
Free float	34%
3M ADV	US\$ 40.0mn
52wk high/low	Rs 5,494/Rs 2,500
Promoter/FPI/DII	66%/12%/8%

Source: NSE | Price as of 1 Dec 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	141,078	170,624	196,892
EBITDA (Rs mn)	18,521	23,595	27,501
Adj. net profit (Rs mn)	12,700	16,220	18,884
Adj. EPS (Rs)	84.9	108.4	126.2
Consensus EPS (Rs)	84.9	109.0	128.0
Adj. ROAE (%)	20.9	22.3	21.7
Adj. P/E (x)	61.7	48.3	41.5
EV/EBITDA (x)	42.3	33.2	28.5
Adj. EPS growth (%)	51.8	27.7	16.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



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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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