

## CONSUMER DURABLES

20 September 2022

### Real estate uptrend heralds stronger durables demand

- Housing sales – a key demand indicator for consumer durables – on long-term secular growth path, per RBI pricing data
- Non-metro cities seeing sharper recovery post pandemic vs. the five metros due to better affordability and the rise of hybrid workplaces
- We continue to prefer leaders in respective durables categories – HAVL, CROMPTON and POLYCAB

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**Real estate sales a key demand indicator for durables:** India's consumer durables sector has multiple structural levers supporting long-term growth, including rapid urbanisation, growing income levels and a burgeoning middle class with rising affordability levels. In particular, the real estate sector – which has revived post pandemic in both the luxury and affordable segments – represents one of the key long-term indicators for consumer durables demand.

**Long-term growth trends in real estate intact:** The RBI's quarterly index of housing prices across India shows a long-term secular growth trend (Fig 1). Prices have rebounded in the post pandemic period as a portion of pent-up consumer savings was channeled into the real estate sector (Fig 2).

**Non-metros have grown faster:** Drilling down the housing data further, we find that non-metro cities – Ahmedabad, Lucknow, Jaipur, Kanpur and Kochi – have exhibited a better recovery as compared to metros (Fig 4). We ascribe two reasons to this – relatively better affordability of homes as compared to metro cities and an increase in hybrid workplace models in these cities following the pandemic. Among metros, Bengaluru has seen a sharp uptick in housing prices in the wake of Covid-19 (Fig 3). Rates in Mumbai have grown the least, probably due to its already-high cost of real estate.

**Maintain preference for sector leaders:** We continue to prefer leaders in their respective consumer durables categories – HAVL (TP: Rs 1,500, BUY), CROMPTON (TP: Rs 500, BUY) and POLYCAB (TP: Rs 3,000, BUY).

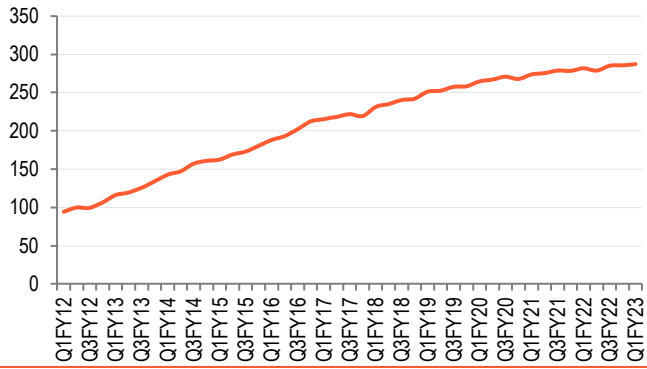
### Recommendation snapshot

Ticker	Price	Target	Rating
AMBER IN	2,222	2,300	HOLD
BLSTR IN	1,051	1,100	HOLD
CROMPTON IN	393	500	BUY
DIXON IN	4,401	4,500	BUY
HAVL IN	1,313	1,500	BUY
ORIENTEL IN	268	310	HOLD
POLYCAB IN	2,585	3,000	BUY
VGRD IN	241	250	HOLD
VOLT IN	899	1,100	HOLD

Price & Target in Rupees | Price as of 19 Sep 2022

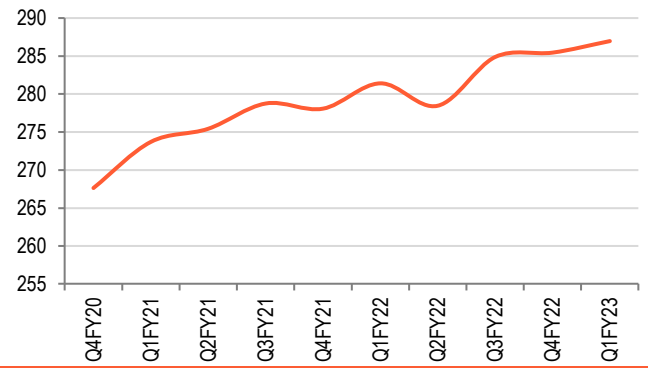


**Fig 1 – All-India Housing Price Index shows secular uptrend...**



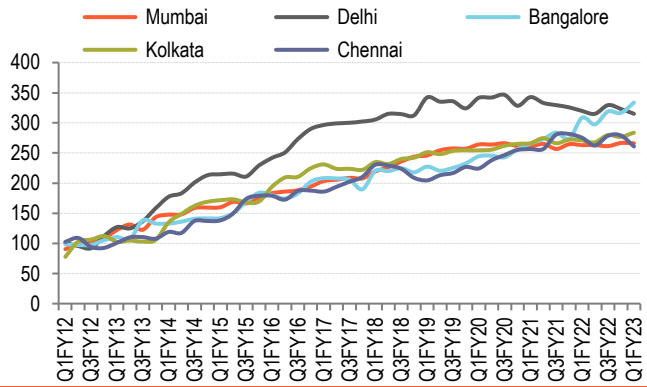
Source: RBI, BOBCAPS Research

**Fig 2 – ...with sharper recovery post Covid**



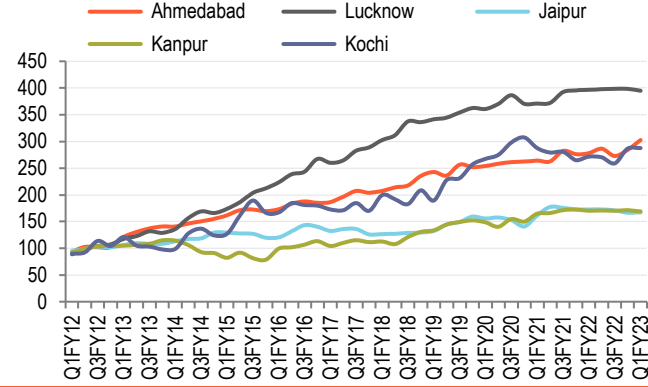
Source: RBI, BOBCAPS Research

**Fig 3 – Housing price index moving up in metro cities...**



Source: RBI, BOBCAPS Research

**Fig 4 – ...but being outpaced by other key cities**



Source: RBI, BOBCAPS Research

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### 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

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