

RESEARCH
BOB Economics Research | Monsoon Update

Monsoon and sowing progress

Consumer Durables

Real estate uptrend heralds stronger durables demand

SUMMARY
India Economics: Monsoon Update

For the cumulative period, South West Monsoon is 7% above LPA as of 19 Sep 2022. Out of 36 subdivisions, 7 are in the deficient zone during this period including 8 states (Uttar Pradesh, Punjab, Bihar and Jharkhand amongst other states). The actual rainfall is above the normal range, for this period. Sown area of Kharif crops is marginally lower compared with last year. Deficient rains continue to adversely impact the sowing area of rice and pulses. The impact of the same may be manifested in lower production and might also be translated in to higher inflation. Hence, it requires further monitoring. On the other hand, higher reservoir level bodes well for winter crops. IMD expects withdrawal of South-West Monsoon from North West in the coming few days.

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Consumer Durables

- 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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Daily macro indicators

Indicator	16-Sep	19-Sep	Chg (%)
US 10Y yield (%)	3.45	3.49	4bps
India 10Y yield (%)	7.23	7.24	1bps
USD/INR	79.75	79.77	0.0
Brent Crude (US\$/bbl)	91.4	92.0	0.7
Dow	30,822	31,020	0.6
Hang Seng	18,762	18,566	(1.0)
Sensex	58,841	59,141	0.5
India FII (US\$ mn)	15-Sep	16-Sep	Chg (\$ mn)
FII-D	109.8	738.5	628.7
FII-E	(85.4)	(435.6)	(350.2)

Source: Bank of Baroda Economics Research

BOBCAPS Research

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MONSOON UPDATE

20 September 2022

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Jahnvi Prabhakar
Economist

Where does Kharif sowing stand?

For the week ended 16th Sep 2022, overall kharif acreage has shrunk (declined by 0.8% last week) compared with last year. Sown area of pulses is down by 4.1%. Within pulses, Arhar (- 4.6%), Moong (- 4%) and Urad (- 3.8%) have registered a drop in acreage. Area sown for oilseeds (- 0.7%) is tad lower compared with last year levels. On the other hand, sowing area of cotton (7.5%) have registered an improvement.

Table 1: Kharif Sowing

	Area sown in 2022-23 (mn ha)	Area sown in 2021-22 (mn ha)	Growth (YoY %)
Rice	39.90	41.79	(4.5)
Coarse-nutri cereals	18.13	17.41	4.1
Pulses	13.19	13.75	(4.1)
Oilseeds	19.09	19.22	(0.7)
Cotton	12.72	11.82	7.5
Sugarcane	5.56	5.49	1.2
Jute and Mesta	0.69	0.70	(0.1)
Total	109.29	110.18	(0.8)

Source: CEIC, Bank of Baroda | Data as of 16 Sep 2022.

Table 2 presents data on the procurement of both wheat and rice over the years. As can be seen procurement of wheat was low last season as a lot of the production got diverted to the export market before restrictions were put by the government. Also open market rates were higher than the MSP resulting in farmers selling in the market rather than to the government. Stocks of wheat have gotten depleted due to the diversion for the PM food programme for the poor. Due to wheat shortfall the government has substituted the same with rice as part of the scheme. It is therefore imperative for the rice production to be normal this time or else there will be challenges in both procurement as well as prices.



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



Disclaimer

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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