

RESEARCH
METALS & MINING | FERROUS CHARTBOOK

Warming up to recovery in China

TTK PRESTIGE | NOT RATED

Management call: Confident of demand recovery in H2

Daily macro indicators

Indicator	4-Sep	5-Sep	Chg (%)
US 10Y yield (%)	4.18	4.26	8bps
India 10Y yield (%)	7.21	7.21	0bps
USD/INR	82.75	83.04	(0.3)
Brent Crude (US\$/bbl)	89.0	90.0	1.2
Dow	34,838	34,642	(0.6)
Hang Seng	18,844	18,457	(2.1)
Sensex	65,628	65,780	0.2
India FII (US\$ mn)	1-Sep	4-Sep	Chg (\$ mn)
FII-D	86.7	(3.2)	(89.9)
FII-E	215.1	(287.1)	(502.2)

Source: Bank of Baroda Economics Research

SUMMARY
METALS & MINING: FERROUS CHARTBOOK

- Commentary from global ferrous majors continues to point to demand stabilisation in China
- Stock markets warming up to recovery in China, but we expect margins to revive only to mid-cycle levels through FY24
- Indian ferrous players should benefit from brownfield expansion-led earnings growth, while margins remain mid-cycle; prefer TATA

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TTK PRESTIGE

- Management optimistic on festive-led demand revival in H2FY24; foresees no pricing action as commodity prices have eased
- Gaps in entry-level products being addressed through the Judge brand and in the premium portfolio through new launches
- Revenue targeted to log a 13-15% CAGR over FY25-FY27, implying a 2x rise from ~Rs 28bn in FY23

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Market sentiment perks up: Indian and global ferrous stocks have rallied over the past week on firmer sentiments of a Chinese recovery. In addition to more decisive growth commitments in mid-July, China has announced a raft of measures to stimulate auto and housing consumption and revive private sector investment. To stabilise real estate, the government has extended a 16-point reform package for the long-term, instructed financial institutions to transmit the same, and begun to relax restrictions and offer incentives (lower interest rate and down payments) to resuscitate house sales.

China – recovery drivers: We expect near-term support for the steel sector from seasonal demand recovery in China during September-October, followed by potential production cuts in the country during Q4CY23 (to hold output at CY22 levels), as flagged by Baosteel. Stimulus benefits are more likely from Q2CY24 after the Lunar holidays, according to MT, as measures percolate down to the economy. Most observers maintain steel demand growth forecasts at -1% to +1% for CY23.

Housing starts in China near a bottom...: Revival of fund flow to private developers is the key to a bottoming out of housing starts in China. With the inventory of universal housing at a decadal low of 2.3bn sqm, BHP believes it is only a matter of time before a housing shortage sets in. Green shoots are visible in 'non-commodity' real estate where housing starts dipped 3.2% vs. a 24% drop in the 'commodity' segment in H1CY23.

...but local government debt looms large: Though private developer funding could aid recovery in government land sale revenue, structural changes are needed to address the systemic risk of local government debt (85% of GDP) that is constraining investment.

China recovery key to mid-cycle margins: We believe a China recovery will relieve pressure on steel prices and support a return to mid-cycle margin levels. Structural surplus in China and a softer outlook for the US/EU will remain a drag.

Read-across for Indian ferrous sector: We are constructive on Indian ferrous players given earnings prospects from ongoing expansion projects but continue to see margins at only mid-cycle levels over the medium term. We have a BUY on TATA (TP Rs 145).

Recommendation snapshot

Ticker	Price	Target	Rating
JSTL IN	815	840	HOLD
SAIL IN	99	90	HOLD
TATA IN	130	145	BUY

Price & Target in Rupees | Price as of 6 Sep 2023



**NOT
RATED**
TTK PRESTIGE

| Consumer Durables

| 06 September 2023

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We hosted an investor call with K Shankaran, ED, and R Saranyan, CFO, of TTK Prestige (TTKPT IN, Not Rated). Key takeaways:

H1 disappointing but H2 to offer respite: TTKPT had a slow start to the fiscal, both in Q1FY24 and the early months of Q2, as inflationary pressures have eroded consumers' purchasing power, driving down discretionary spends. Per management, this slowdown is temporary and not structural. Further, the company is positive on the upcoming festive season and confident of demand revival in H2FY24 underpinned by its well-balanced product and channel portfolio. Given the softer commodity prices, management does not see any need for price hikes.

Medium-term growth outlook strong: Beyond FY24, the company expects to clock a 13-15% CAGR over FY25-FY27, which translates to a doubling of revenue from the current level of Rs 27.8bn (FY23). Management believes growth will come mainly from the northern region, where the company has scope for further market penetration.

Spreading its wings: TTKPT has a robust distribution network in its home market of South India and is looking to expand into tier-2/3/4 towns in the north. To this end, management aims to ramp up marketing and penetration in the three key northern states of Uttar Pradesh, Rajasthan and Madhya Pradesh. This apart, the company is expanding into the eastern parts of the country, aided by the acquisition of modular kitchen player Ultrafresh Modular Solutions, which is driving cross-sales.

Reshaping the Judge brand: The company has reshaped *Judge* to cater to entry-level products, mainly comprising pressure cookers, gas stoves and cookware. The brand will have a separate product portfolio in addition to being oriented to garner market share for certain core categories. Management has also identified gaps in the product portfolio and does not anticipate cannibalisation following the rebranding.

Ticker/Price	TTKPT IN/Rs 814
Market cap	US\$ 1,357mn
Free float	29%
52wk high/low	Rs 1,050/Rs 652
Promoter/FPI/DII	70%/8%/22%

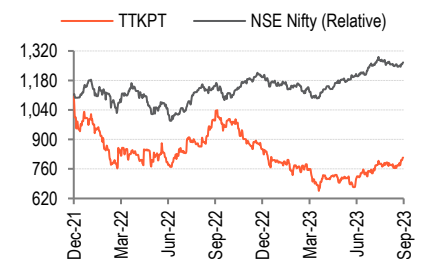
Source: NSE | Price as of 5 Sep 2023

Key financials

Y/E 31 Mar	FY21A	FY22A	FY23A
Total revenue (Rs mn)	21,942.0	27,224.5	27,771.3
EBITDA (Rs mn)	3,272.8	4,259.0	3,585.2
Adj. net profit (Rs mn)	2,309.9	3,048.4	2,541.7
Adj. EPS (Rs)	16.7	22.0	18.3
Consensus EPS (Rs)	16.7	22.0	18.3
Adj. ROAE (%)	16.4	18.8	13.9
Adj. P/E (x)	43.6	33.0	39.6
EV/EBITDA (x)	29.8	22.9	27.2
Adj. EPS growth (%)	17.7	32.0	(16.6)

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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