RESEARCH

BOB ECONOMICS RESEARCH | Q2FY24 GDP

Q2 GDP growth in 4th gear

BOB ECONOMICS RESEARCH | FISCAL UPDATE

Fiscal deficit at 45% of BE

TTK PRESTIGE | NOT RATED

Management call: Sustained leadership in key categories

Daily macro indicators

Indicator	28-Nov	29-Nov	Chg (%)
US 10Y yield (%)	4.32	4.26	(7bps)
India 10Y yield (%)	7.28	7.25	(3bps)
USD/INR	83.34	83.33	0.0
Brent Crude (US$/bbl)	81.7	83.1	1.7
Dow	35,417	35,430	0.0
Hang Seng	17,354	16,993	(2.1)
Sensex	66,174	66,902	1.1
India FII (US$ mn)	**24-Nov**	**28-Nov**	**Chg ($ mn)**
FII-D	206.0	52.8	(153.3)
FII-E	302.6	214.2	(88.4)

Source: Bank of Baroda Economics Research

SUMMARY

INDIA ECONOMICS: Q2FY24 GDP

India's GDP growth surprised positively, rising by 7.6% in Q2FY24, following a 7.8% growth in Q1FY24. Even as, this was slightly lower than previous quarter, India continues to remain the fastest growing economy across the globe. In line with expectations, agriculture growth softened amidst the threat of El Nino which resulted in erratic rainfall; impacting the kharif output. However, amidst poor rainfall, sector such as construction, manufacturing and mining registered an uptick and supported growth. Strong growth in firms in Q2 was reflected with earnings data.

Globally, sluggish pace of growth in world economy and uneven recovery in rural economy is expected to drag India's growth lower in H2FY24. However, we do expect some support from government spending and boost from the delayed festive season to assist growth. Given this, India's economy is expected to clock a growth higher for FY24 with upward bias of 0.1-0.2%.

Click here for the full report.

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INDIA ECONOMICS: FISCAL UPDATE

Centre’s fiscal deficit has reached Rs 8 lakh crore as of Oct’23 (FYTD basis) which is only 45% of the budget estimate, compared with 45.6% of the target achieved last year. As % of GDP it is currently running at 6.1% versus targeted 5.9%. The deficit ratio has been on a downward trajectory since Aug’23. In Oct’23, centre’s both receipt and expenditure growth has seen some moderation when compared with H1FY24 (as of Sep’23). Amongst the receipts, corporate tax collections and indirect tax collections (mainly customs and excise) have been a major drag.

On the spending front, government has achieved 53.2% of its budget estimate, lower than 54.3% last year (as of Oct’22). Major ministries which have spent less than budgeted compared with last year include, ministries of road transport, railway, consumer affairs, rural development and chemicals & fertilizers. This also suggests that spending in H2 will be higher in order to meet the targets. We continue to believe that centre will meet its fiscal deficit target of 5.9% in FY24.

Click here for the full report.

TTK PRESTIGE

- Management confident of robust demand recovery through H2FY24 as festive and wedding seasons coincide
- Strategic focus on network expansion and deepening its presence by catering to mass segments via repositioned Judge brand
- Maintains market leadership in key categories, such as pressure cookers, despite slowdown in kitchen appliances segment

Click here for the full report.

Q2FY24 GDP

30 November 2023

Q2 GDP growth in 4th gear

Jahnavi Prabhakar
Economist

India's GDP growth surprised positively, rising by 7.6% in Q2FY24, following a 7.8% growth in Q1FY24. Even as, this was slightly lower than previous quarter, India continues to remain the fastest growing economy across the globe. In line with expectations, agriculture growth softened amidst the threat of El Nino which resulted in erratic rainfall; impacting the kharif output. However, amidst poor rainfall, sector such as construction, manufacturing and mining registered an uptick and supported growth. Strong growth in firms in Q2 was reflected with earnings data. Globally, sluggish pace of growth in world economy and uneven recovery in rural economy is expected to drag India's growth lower in H2FY24. However, we do expect some support from government spending and boost from the delayed festive season to assist growth. Given this, India's economy is expected to clock a growth higher for FY24 with upward bias of 0.1-0.2%.

Q2FY24 GDP accelerates

GDP growth in Q2 moderates to 7.6% from 7.8% in Q1FY24 on a YoY basis. This was higher than our expectation of 6.7%. The moderation was led by slowdown in private consumption, which eased by 3.1% in Q2FY24 from 6% in Q1FY24. The estimate is far higher than the RBI estimate (6.5%) and is led by improvement in sectors including government consumption, registering a robust growth of 12.4% after contracting by (-) 0.7% followed by investment which clocked double digit growth at 11% (8% in Q1). Even export growth is back in green at 4.3% after declining by 7.7% in Q1. India's growth for H1 stands at 7.7% compared with a growth of 9.5% in H1FY23.

GVA improves

GVA growth rose by 7.4% in Q2FY24 down from 7.8% in Q1FY24. The dip was led by sharp slowdown in agriculture sector, down by 1.2% (3.5% in Q1) on the back of kharif production estimate and erratic rainfall. Furthermore, sectors such as trade (4.3% versus 9.2%), financial services (6% versus 12.2%) and public admin (7.6% versus 7.9%) dragged down the growth further.

On the other hand, following sectors, surprised positively with most significant increase was noted in manufacturing registering a stupendous growth of 13.9% (4.7% in Q1) driven by improvement in corporate profitability and strong growth in industrial production.

Subsequently, mining & quarrying (10% versus 5.8%), electricity (10.1% versus 2.9%) and construction (13.3% versus 7.9%) sector have all clocked double digit growth. Additionally, improvement in cement consumption has supported the construction sector, amidst uncertain rainfall activity.

30 November 2023

Fiscal deficit at 45% of BE

Sonal Badhan
Economist

Centre's fiscal deficit has reached Rs 8 lakh crore as of Oct'23 (FYTD basis) which is only 45% of the budget estimate, compared with 45.6% of the target achieved last year. As % of GDP it is currently running at 6.1% versus targeted 5.9%. The deficit ratio has been on a downward trajectory since Aug'23. In Oct'23, centre's both receipt and expenditure growth has seen some moderation when compared with H1FY24 (as of Sep'23). Amongst the receipts, corporate tax collections and indirect tax collections (mainly customs and excise) have been a major drag. On the spending front, government has achieved 53.2% of its budget estimate, lower than 54.3% last year (as of Oct'22). Major ministries which have spent less than budgeted compared with last year include, ministries of road transport, railway, consumer affairs, rural development and chemicals & fertilizers. This also suggests that spending in H2 will be higher in order to meet the targets. We continue to believe that centre will meet its fiscal deficit target of 5.9% in FY24.

Fiscal deficit ratio on track: Centre's fiscal deficit by Oct'23 has reached 45% of the budgeted estimate (BE) for FY24 and is at Rs 8 lakh crore versus estimated Rs 17.9 lakh crore. In terms of % of GDP, the 12MMA ratio is on downward trajectory since Aug'23 and is currently at 6.1% (Oct'23) compared with 6.3% in H1FY24 (as of Sep'23). Sharper moderation in spending compared with receipt growth, is paving the way for centre to meet is deficit target of 5.9% by Mar'24.

Slight moderation in receipt growth: Centre's revenue receipts have currently (Apr-Oct'23) reached 59.6% of the budgeted target for FY24, compared with 61.2% target achieved during the same period last year. Net tax revenue receipts have reached only 55.9% of BE versus 60.5% last year. On YoY basis, gross tax revenue receipt growth has seen slight easing in Oct'23 (FYTD basis) as it moderated to 14% from 16.3% recorded in H1FY24.

This is on account of slowdown in both direct and indirect tax collections. Within direct taxes, corporate tax collection growth slipped to 17.4% as of Oct'23 from 20.2% in H1, as period of advance tax collections has ended. Income tax collections on the other hand have managed to maintain a steady growth of 31.1% in Oct'23 as well, unchanged from H1. Indirect tax receipt growth eased to 3.7% from 6.6% in H1, on account of slowdown in customs (1.2% versus 23.1%) and excise duty collections (-9.3% versus -10.8%). As a result, growth in centre's net tax revenue receipts has also eased to 16.1% from 19.5% in H1.

Spending momentum slowing: In FYTD24 so far (Apr-Oct'23), centre has achieved 53.2% (Rs 24 lakh crore) of its targeted expenditure estimate, slightly lower than 54.3% achieved last year during the same period. Within this, while capex is at the same level as last year (55%), revenue expenditure is slightly lower so far at 53% (Rs 18.5 lakh crore) versus 54% last year. In terms of YoY growth (Apr-Oct), overall expenditure growth has eased to 11.7% as of Oct'23, down from 16.2% as of H1. Here, revenue expenditure growth eased to 10% (6.5% as of H1) and capex to 33.7% from 43.1% in H1.

NOT RATED

TTK PRESTIGE | Consumer Durables | 30 November 2023

Management call: Sustained leadership in key categories

- **Management confident of robust demand recovery through H2FY24 as festive and wedding seasons coincide**
- **Strategic focus on network expansion and deepening its presence by catering to mass segments via repositioned Judge brand**
- **Maintains market leadership in key categories, such as pressure cookers, despite slowdown in kitchen appliances segment**

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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:

Leadership maintained: TTKPT indicated that demand for kitchen appliances remains tepid as customer wallet share has shifted to services such as travel and hospitality. The company, however, has been able to maintain market share and retain leadership in key categories, such as pressure cookers, nonstick cookware and induction cooktops.

Demand outlook robust: India's festive season has shifted to the third quarter and is coinciding with the wedding season, leaving management confident of strong growth in Q3 and Q4FY24, further aided by a low base last year. TTKPT is seeing higher demand for premium products as compared to the mid segment with no downtrading trends and indicated that its 'Prestige Exclusive' stores continue to do well. Although the company is witnessing some slowdown in rural markets, the impact is limited as these markets constitute just 4-5% of its topline. However, the Europe subsidiary is facing muted demand and a challenging H2FY24 outlook.

Guidance intact: Management reiterated its revenue guidance of low-single-digit growth in the medium term and believes growth will come mainly from the northern region, where the company has scope for further market penetration. The topline is also likely to be aided by mass segment brand *Judge* and new acquisition *Ultrafresh* (modular kitchen solutions).

Launches gaining momentum: The company has launched new products across categories with a variety of features and colours. According to management, these products are gaining traction and boosting brand recognition.

Network expansion underway: TTKPT has a robust distribution network in South India along with a presence across the country. It is expanding its footprint in smaller towns and cities in the north and east. In our last management call in September, TTKPT highlighted a focus on three northern states – Uttar Pradesh, Rajasthan, and Madhya Pradesh, along with expansion plans in eastern markets aided by Ultrafresh.

Ticker/Price	TTKPT IN/Rs 768
Market cap	US$ 1,199mn
Free float	29%
52wk high/low	Rs 896/Rs 652
Promoter/FPI/DII	70%/8%/22%

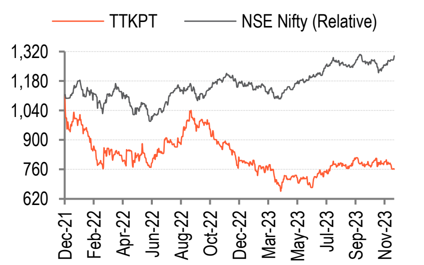
Source: NSE | Price as of 29 Nov 2023

Key financials

Y/E 31 Mar	FY21A	FY22A	FY23A
Total revenue (Rs mn)	21,942	27,225	27,771
EBITDA (Rs mn)	3,273	4,259	3,585
Adj. net profit (Rs mn)	2,310	3,048	2,542
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)	46.1	34.9	41.9
EV/EBITDA (x)	31.6	24.3	28.8
Adj. EPS growth (%)	17.7	32.0	(16.6)

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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