

August 14, 2023

RESULT REPORT Q1 FY24 | Sector: Consumer Durables

TTK Prestige Ltd

2H to see demand revival; maintain BUY

Result Synopsis

TTKPT registered marginally better than expected performance with revenue decline of 8.1%. Revenue decline can be attributed to 1) lower discretionary spends amid high inflation, 2) Wallet share has been diverted to other avenue of spending resulting in lower spends for kitchen, and 3) Stocking by the dealers have been lower. Gross margins have seen strong sequential as well as yoy expansion as raw material prices have been benign, and company has not compromised on brand premium for the revenue growth. Demand is expected to be better from 2nd half as base will be favorable and in current fiscal festivals will be in Q3. Considering the track record of launching new innovative products and brand salience, we continue to maintain BUY as we feel TTKPT should command higher multiple as company is market leader in its core categories and has best-in-class margin profile and it also carries substantial free cashflow even after deploying enough working capital for cost effective supply chain as well as ongoing capex.

We expect FY23-25E normalized growth trajectory of 9% revenue CAGR. With margins also expected to be 13.8% by FY25 in line with management guidance, we estimate FY23-25E EBITDA and PAT CAGR of 17% and 21% respectively. We remain upbeat on the stock as company has been able to protect its margin and market share despite challenging environment and company is confident of strong double-digit revenue growth despite uncertainties in exports and UK subsidiary Horwood. We continue to value the company at 40x FY25 EPS and arrive at a revised PT of Rs938 maintain BUY.

Result Highlights

- **Topline** – Revenue was marginally better than estimates with revenue declining by 8.3%. Cooker, Cookware and Appliances saw decline of 8.1%,14.9% and 7.7% respectively, while its newer products saw revenue growth of 9.8%.
- **Margins** – Company EBITDA margin at 11.8% was lower by 207bps and 232bps on sequential basis on negative operating leverage as company has not compromised on brand premium for higher growth.
- **Exports** – The global slowdown in developed markets has resulted in lower exports sale. Exports for the quarter stood at Rs197mn vs Rs223mn. Company expects exports to pickup from Q3 onwards.
- **Judge brand** – During the quarter the company has repositioned its Judge brand, where various new products were launched during the quarter and company is also expanding distribution network for Judge brand.

Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	5,500	5,226	6,190	5.3	-11.4	Lower discretionary spends resulted in revenue decline
EBITDA	647	625	790	3.5	-18.1	
EBITDA Margin (%)	11.8	12.0	12.7	-20 bps	-90 bps	
Adjusted PAT	508	408	550	23.8	-7.6	

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 777
Target Price	: Rs 938
Potential Return	: +20.7%

Stock data (as on August 14, 2023)

Nifty	19,434
52 Week h/l (Rs)	1050/652
Market cap (Rs/USD mn)	1079973/1310
Outstanding Shares (mn)	139
6m Avg t/o (Rs mn):	77
Div yield (%)	0.8
Bloomberg code:	TTKPT IN
NSE code:	TTKPRESTIG

Stock performance



Shareholding pattern (As of Jun'23 end)

Promoter	70.4%
FII+DII	21.6%
Others	8.0%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	938	987

Δ in earnings estimates

	FY24e	FY25e
EPS (New)	20.3	23.4
EPS (Old)	23.0	26.3
% change	16.1%	7.5%

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenue	26,252	28,856	31,476
YoY Growth	3.7	9.9	9.1
EBIDTA	3492	3896	4354
YoY Growth	-14.1	11.6	11.8
PAT	2506	2815	3249
YoY Growth	-14.7	12.3	15.4
ROE	14.0	14.2	14.8
EPS	18.1	20.3	23.4
P/E	43.0	38.3	33.1
BV	135.4	149.9	166.7
EV/EBITDA	30.7	27.2	23.9

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Exhibit 2: Quarterly snapshot (Standalone)

Particulars (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	y/y %	q/q %	FY23	FY22	y/y %
Sales	5,997	8,079	6,521	5,660	5,500	(8.3)	(2.8)	26,257	25,322	3.7
EBITDA	830	1192	776	797	647	(22.0)	(18.8)	3,594	4,063	(11.5)
EBITDA Margin %	13.8	14.8	11.9	14.1	11.8			13.7	16.0	
Depreciation	108.3	114.0	117.5	137.3	132.3	22.2	(3.6)	477	417	14.5
EBIT	721	1078	658	659	515	(28.7)	(22.0)	3,117	3,646	(14.5)
EBIT Margin %	12.0	13.3	10.1	11.6	9.4			11.9	14.4	
Interest charges	11	7	17	15	17	54.1	11.0	50	40	24.9
Other Income	67	79	130	153	182	173.4	19.1	429	350	22.5
PBT	777	1150	772	797	679	(12.6)	(14.7)	3495	3956	(11.6)
Tax	200	293	197	203	175	(12.9)	(14.1)	894	1,019	(12.3)
Effective Tax Rate (%)	25.8	25.5	25.5	25.5	25.7			25.6	25.8	
PAT	576	857	575	594	505	(12.4)	(15.0)	2602	2937	(11.4)
PAT Margin %	9.6	10.6	8.8	10.5	9.2			9.9	11.6	
EPS (Rs)	4.2	6.2	4.1	4.3	3.6	(12.4)	(15.0)	19	21	(11.4)

Source: Company, YES Sec

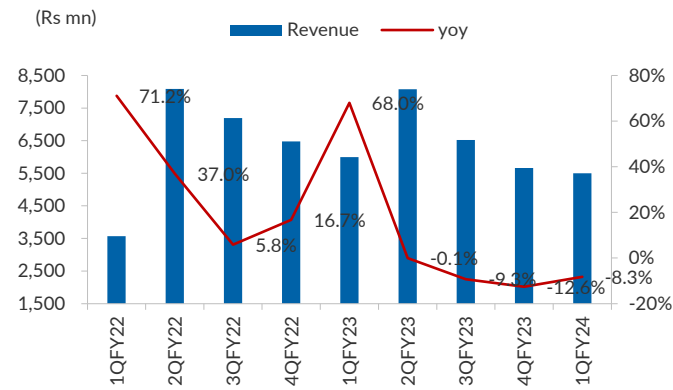
Exhibit 3: Segmental Performance

Rs mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	y/y %	q/q %	FY23	FY22	y/y %
Cookers	1,941	2,495	2,028	1,753	1,784	(8.1)	1.8	8,216	7,860	4.5
Cookware	1056	1307	981	828	899	(14.9)	8.6	4,172	4,167	0.1
Appliances	2722	3996	3247	2824	2512	(7.7)	(11.1)	12,788	12,314	3.9
Others	278	282	265	255	306	9.8	19.7	1,081	983	9.9
Total Sales	5997	8079	6521	5660	5500	(8.3)	(2.8)	26,257	25,324	3.7

Source: Company, YES Sec

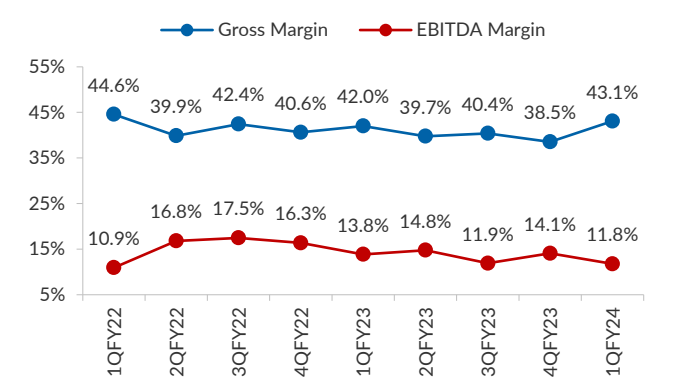
CHARTS

Exhibit 4: Lower discretionary spends amid high inflation and diverting wallet share to other avenues



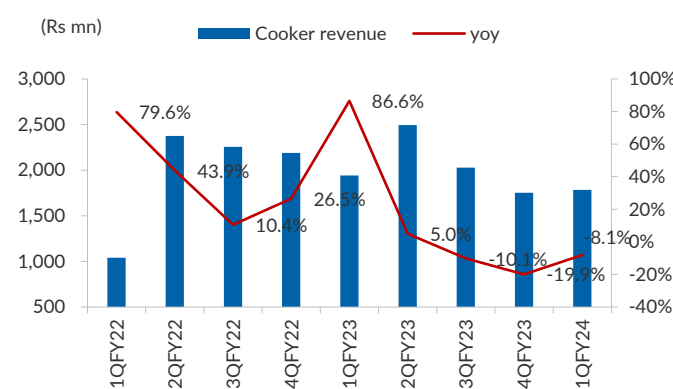
Source: Company, YES Sec

Exhibit 5: Benign commodity prices have resulted in gross margin expansion



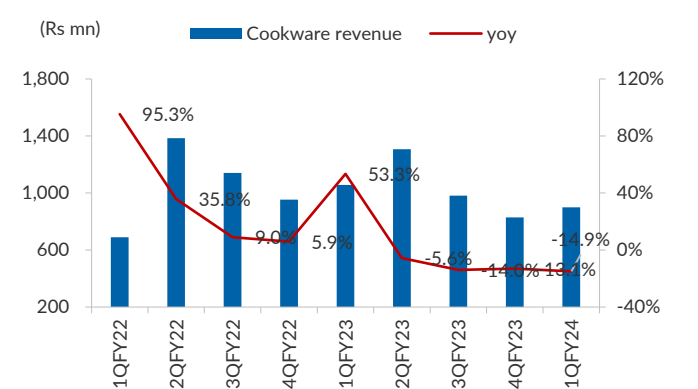
Source: Company, YES Sec

Exhibit 6: Lower spends on kitchen has resulted revenue decline for cookers



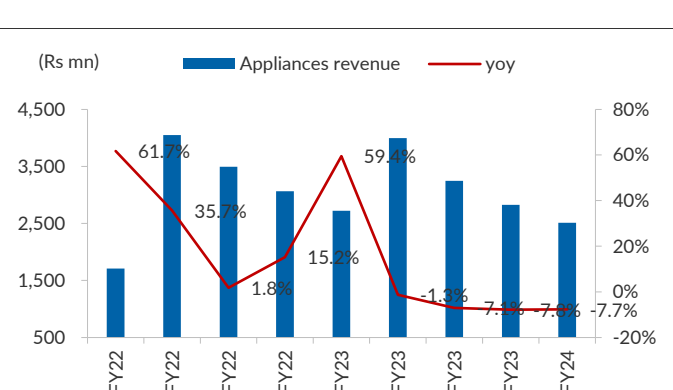
Source: Company, YES Sec

Exhibit 7: Lower domestic demand coupled with decline in exports has resulted in revenue de-growth for cookers



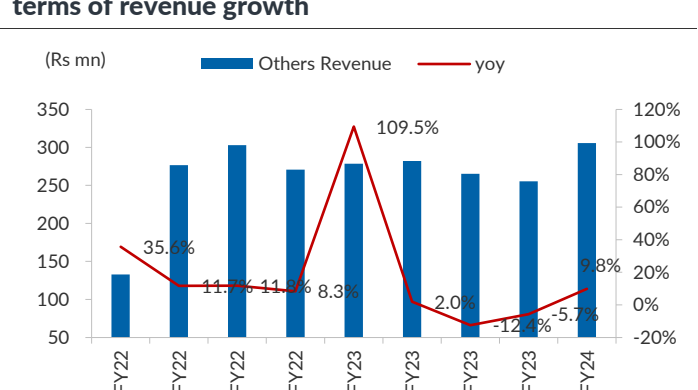
Source: Company, YES Sec

Exhibit 8: High base has impacted appliances revenue



Source: Company, YES Sec

Exhibit 9: Others segment has seen bounce back in terms of revenue growth



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Business Update** – Company has done better amid weak consumer sentiment. Company expects 1st half to be bit slow and demand is expect pick-up from 2nd half. The company has not compromised on the profitability and company has managed to retain its brand premium.
- **Channel** – All the consumer facing channels are on the growth path.
- **Gross Margins** – Gross margins have improved o benign commodity prices. Gross margin are expected to remain stable.
- **EBITDA margins** – EBITDA margins are lower as there was lower negative operating leverage.
- **Judge brand** – Company is integrating distribution of Judge with that of prestige. Judge brand will see introduction of stainless steel dinner set and other smaller products to make Judge have its independent product portfolio
- **Slowdown in kitchen appliances** – Overall economic conditions has resulted in lower discretionary spends. There is also shifting of wallet share which will get normalized in next few quarters.
- **Price increase** – The company has not taken any price increase and company does not intend to take price increase as raw material prices have been stable.
- **Focus** – Company focus is to maintain market share. Under normalized environment low double digit growth is possible
- **Cookware** – There was one-time sale of cookware last year which was absent hence cookware de-growth looks optically higher.

FINANCIALS

Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	139	139	139	139	139
Reserves	14,662	16,829	18,625	20,643	22,972
Net worth	14,800	16,967	18,763	20,781	23,110
Debt	0	0	0	0	0
Deferred tax liab (net)	346	362	362	362	362
Other non current liabilities	198	281	281	282	283
Total liabilities	15,345	17,610	19,406	21,425	23,755
Fixed Asset	4,160	4,171	4,319	4,420	4,492
Investments	6,131	5,489	5,489	5,489	5,489
Other Non-current Assets	664	796	848	896	915
Net Working Capital	4,270	7,009	8,355	8,844	9,335
Inventories	3,934	5,103	5,351	5,882	6,416
Sundry debtors	2,719	2,987	3,510	3,858	4,208
Loans and Advances	35	78	78	78	78
Sundry creditors	1,997	3,559	2,949	3,241	3,536
Other current liabilities	1,828	1,585	1,640	1,791	1,944
Cash & equivalents	120	146	394	1,777	3,524
Total Assets	15,345	17,610	19,406	21,425	23,755

Source: Company, YES Sec

Exhibit 11: Income statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	20,331	25,322	26,252	28,856	31,476
Operating profit	3,146	4,062	3,492	3,896	4,354
Depreciation	379	417	460	535	590
Interest expense	31	40	40	75	75
Other income	275	350	383	505	688
Profit before tax	3,012	3,955	3,375	3,791	4,376
Taxes	779	1,019	869	977	1,127
Minorities and other	-	-	-	-	-
Adj. profit	2,232	2,937	2,506	2,815	3,249
Exceptional items	(119)	-	-	-	-
Net profit	2,351	2,937	2,506	2,815	3,249

Source: Company, YES Sec

Exhibit 12: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Profit before tax	3,043	3,995	3,415	3,866	4,451
Depreciation	379	417	460	535	590
Tax paid	(779)	(1,019)	(869)	(977)	(1,127)
Working capital Δ	(1,663)	(1,895)	(1,347)	(488)	(491)
Other operating items					
Operating cashflow	979	1,498	1,659	2,936	3,423
Capital expenditure	(358)	(428)	(607)	(635)	(663)
Free cash flow	621	1,070	1,051	2,301	2,760
Equity raised	6,373	62	0	-	-
Investments	(192)	(201)	-	-	-
Debt financing/disposal	-	-	-	-	-
Interest paid	(31)	(40)	(40)	(75)	(75)
Dividends paid	(6,930)	(832)	(710)	(797)	(920)
Net Δ in cash	(231)	26	249	1,383	1,747

Source: Company, YES Sec

Exhibit 13: Du-pont analysis

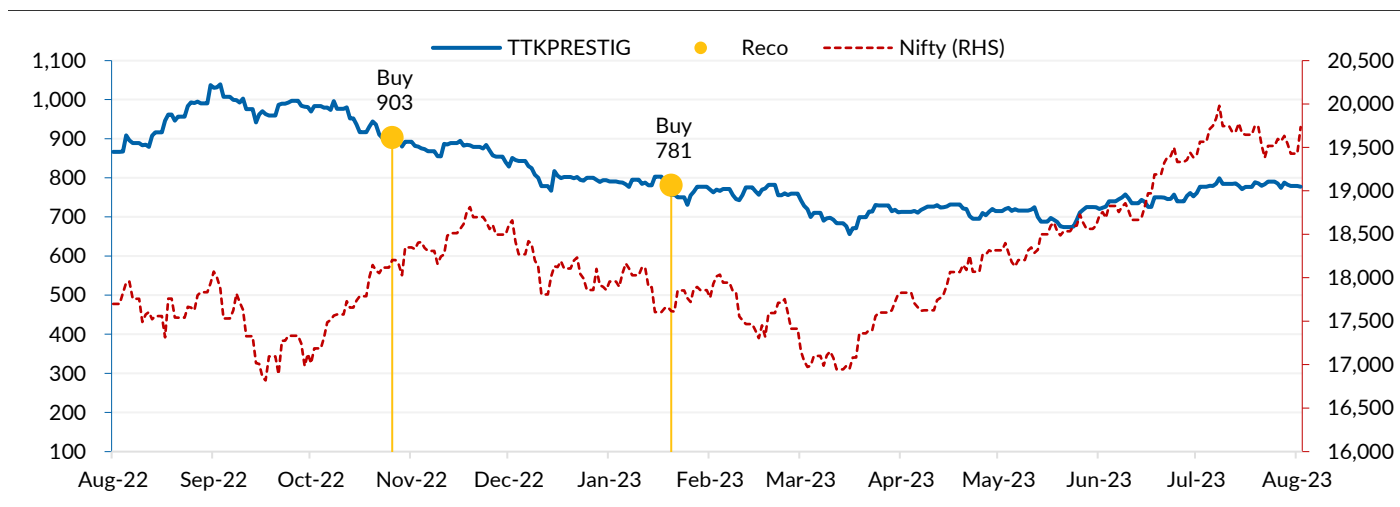
Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	0.74	0.74	0.74	0.74	0.74
Interest burden (x)	0.99	0.99	0.99	0.98	0.98
EBIT margin (x)	0.15	0.16	0.13	0.13	0.14
Asset turnover (x)	1.12	1.20	1.12	1.14	1.13
Financial leverage (x)	1.31	1.33	1.31	1.28	1.27
RoE (%)	16.1	18.5	14.0	14.2	14.8

Exhibit 14: Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
Growth matrix (%)					
Revenue growth	5.0	24.5	3.7	9.9	9.1
Op profit growth	20.6	29.1	(14.1)	11.6	11.8
EBIT growth	21.3	31.3	(14.5)	13.2	15.1
Net profit growth	12.5	31.5	(14.7)	12.3	15.4
Profitability ratios (%)					
OPM	15.5	16.0	13.3	13.5	13.8
EBIT margin	15.0	15.8	13.0	13.4	14.1
Net profit margin	11.0	11.6	9.5	9.8	10.3
RoCE	21.9	25.2	19.1	19.6	20.3
RoNW	16.1	18.5	14.0	14.2	14.8

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
RoA	12.3	13.9	10.7	11.1	11.6
Per share ratios					
EPS	17.0	21.2	18.1	20.3	23.4
Dividend per share	50.0	6.0	5.1	5.8	6.6
Cash EPS	18.8	24.2	21.4	24.2	27.7
Book value per share	106.8	122.4	135.4	149.9	166.7
Valuation ratios					
P/E	45.8	36.7	43.0	38.3	33.1
P/CEPS	38.9	26.8	35.0	28.1	25.8
P/B	7.2	6.0	5.4	4.8	4.4
EV/EBIDTA	34.2	26.5	30.7	27.2	23.9
Payout (%)					
Dividend payout	310.4	28.3	28.3	28.3	28.3
Tax payout	25.9	25.8	25.8	25.8	25.8
Liquidity ratios					
Debtor days	48.8	43.1	48.8	48.8	48.8
Inventory days	70.6	73.6	74.4	74.4	74.4
Creditor days	35.9	51.3	41.0	41.0	41.0

Recommendation Tracker



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