

October 30, 2024

RESULT REPORT Q2 FY25 | Sector: Consumer Durables

TTK Prestige Ltd

Elevated commodity prices to impact margins; reiterate Neutral

Result Synopsis

TTKPT delivered muted revenue growth despite favorable base. Lower rural demand has resulted in muted revenue growth. General trade has done well during the quarter, they continued to feel the pressure from the e-commerce and modern format stores which did well during this quarter ahead of the festive season. Rural Channel driven by MFI has not performed well as they had their own issues to deal with. Gross margin has contracted 238bps on sequential basis on higher commodity prices. Company believes commodity prices are expected to remain at elevated levels impacting margin going forward. EBITDA was impacted by payment of Rs79mn to the consultant to chalk out blueprint for long term strategy and plan. Phase 1 study has been completed by the consultant and report is currently being evaluated by the company. Additional expenses and investments are expected to continue for few more quarters keeping margin under the check. Management believes 2HFY25 will result be better for the company as well as for the industry with rural expected to remain largely subdued. Given the challenges company is facing in terms of demand and elevated commodity prices impacting growth and margin in the near term. We now value the company at 42x vs 45x considering lower growth and margins and reiterate our Neutral stance with revised PT of Rs946.

We continue to expect FY24-27E growth trajectory of 8.5% revenue CAGR, while we moderate our margin expectation as there will be expenses towards, the consultancy fees and new launches. We now estimate FY24-27E EBITDA and PAT CAGR of 11.5% and 9.3% respectively. We however remain mildly positive on the stock as company has performed relatively better than peers in the challenging environment and it will be the first one to bounce back once the demand trends improve. We now value the company at 42x on FY27 EPS resulting in PT of Rs946 and assign Neutral rating.

Result Highlights

- Topline** – Revenue was marginally lower than estimates with revenue growing by 4.6%. Muted topline was on account of lower rural demand and subdued performance of alternate channels like MFI and institutional channel.
- Margins** – Company EBITDA margin at 10.7% contracted by 144bps on yoy basis, this is lower than the company's historical margins. Lower EBITDA margins are on account of payment of consultancy fees amounting to Rs79mn.
- Exports** – Exports sales have declined for the quarter; however, exports orders remain robust. Unavailability of containers have resulted in lower exports. Exports shipments have been deferred to H2 of FY25
- New product launches** – The company is aggressively focusing new innovative product launches, which company had been lacking in past few quarters. The company has introduced 72 new SKU's in Q2 which has been well received.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	7,085	7,196	NA	-1.5	NA	Payment of Rs79mn consultancy fees has resulted in lower margin
EBITDA	757	883	NA	-14.3	NA	
EBITDA Margin (%)	10.7	12.3	NA	-160 bps	NA bps	
Adjusted PAT	576	670	NA	-14.0	NA	

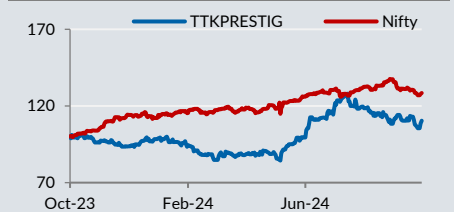
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 874
Target Price	: Rs 946
Potential Return	: +8.2%

Stock data (as on Oct 30, 2024)

Nifty	24,341
52 Week h/l (Rs)	1025/647
Market cap (Rs/USD mn)	119103/1417
Outstanding Shares (mn)	137
6m Avg t/o (Rs mn):	82
Div yield (%)	0.7
Bloomberg code:	TTKPT IN
NSE code:	TTKPRESTIG

Stock performance



	1M	3M	1Y
Absolute return	-0.2%	-6.7%	11.6%

Shareholding pattern (As of Sep'24 end)

Promoter	70.4%
FII+DII	21.5%
Others	8.1%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	946	978

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	18.8	22.5
EPS (Old)	21.8	NA
% change	-13.8%	NA%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	25,810	29,005	31,905
YoY Growth	3.2	12.4	10.0
EBIDTA	2905	3505	4305
YoY Growth	-6.6	20.7	22.8
PAT	2235	2604	3121
YoY Growth	-6.4	16.5	19.9
ROE	10.5	11.4	12.6
EPS	16.1	18.8	22.5
P/E	54.2	46.5	38.8
BV	159.4	171.6	186.3
EV/EBITDA	41.6	34.4	27.9

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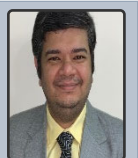


Exhibit 2: Quarterly snapshot (Standalone)

Particulars (Rs mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	y/y %	q/q %	1HFY25	1HFY24	y/y %
Sales	6,837	6,866	5,804	5,513	7,085	3.6	28.5	12,598	12,337	2.1
EBITDA	829	850	783	597	757	(8.7)	26.7	1,354	1,476	(8.2)
EBITDA Margin %	12.1	12.4	13.5	10.8	10.7			10.7	12.0	
Depreciation	143.5	155.8	157.6	157.2	157.7	9.9	0.3	315	276	14.2
EBIT	685	694	626	440	599	(12.6)	36.1	1,039	1,200	(13.4)
EBIT Margin %	10.0	10.1	10.8	8.0	8.5			8.2	9.7	
Interest charges	21	26	25	26	26	20.8	(2.3)	52	38	35.2
Other Income	173	180	216	213	197	14.1	(7.4)	410	355	15.6
PBT	837	849	817	627	771	(7.9)	22.9	1,397	1,516	(7.8)
Tax	215	218	186	158	195	(9.5)	23.0	353	390	(9.4)
Effective Tax Rate (%)	25.7	25.7	22.7	25.3	25.3	(1.7)	0.0	25.3	25.7	
PAT	622	630	631	469	576	(7.4)	22.9	1,044	1,126	(7.3)
PAT Margin %	9.1	9.2	10.9	8.5	8.1			8.3	9.1	
EPS (Rs)	4.5	4.5	4.6	3.4	4.2	(7.4)	22.9	8	8	(7.3)

Source: Company, YES Sec

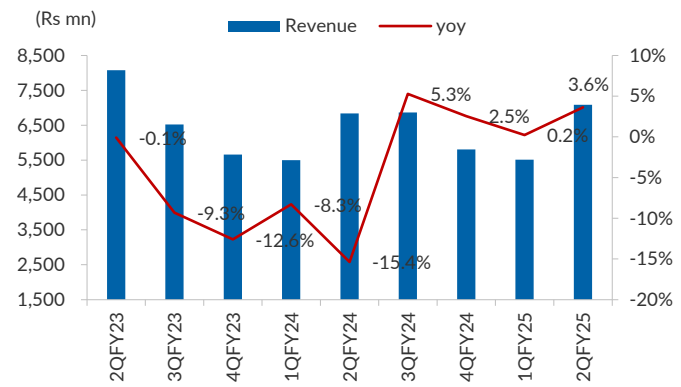
Exhibit 3: Segmental Performance

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	y/y %	q/q %	FY24	FY23	y/y %
Cookers	2,162	2,068	1,883	1,768	2,233	3.3	26.3	4,001	3,946	1.4
Cookware	1,149	1,041	902	986	1,229	6.9	24.6	2,215	2,048	8.1
Appliances	3,184	3,394	2,709	2,441	3,317	4.2	35.9	5,758	5,696	1.1
Others	341	363	311	318	307	(9.9)	(3.5)	625	646	(3.3)
Total Sales	6,837	6,866	5,804	5,513	7,085	3.6	28.5	12,598	12,337	2.1

Source: Company, YES Sec

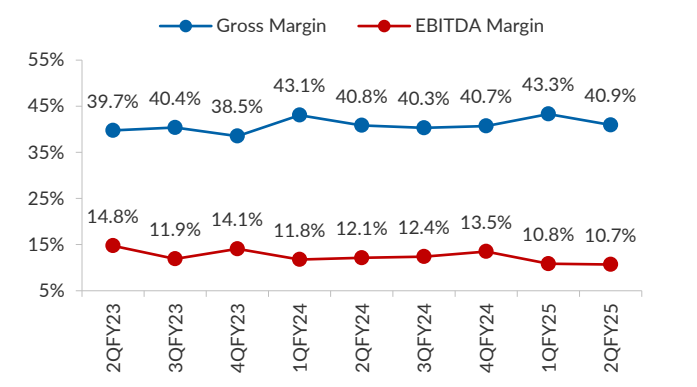
CHARTS

Exhibit 4: Sluggish rural demand and challenges with MFI and Institutional channels has resulted in muted growth



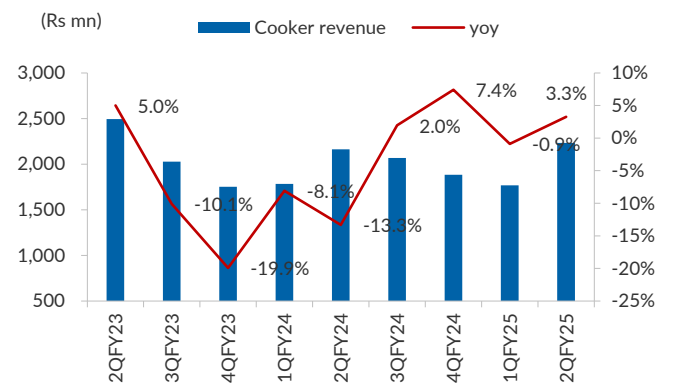
Source: Company, YES Sec

Exhibit 5: Negative operating leverage has led to EBITDA margin contraction



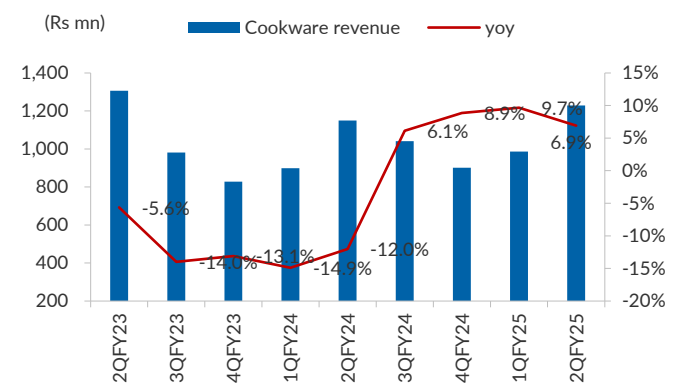
Source: Company, YES Sec

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



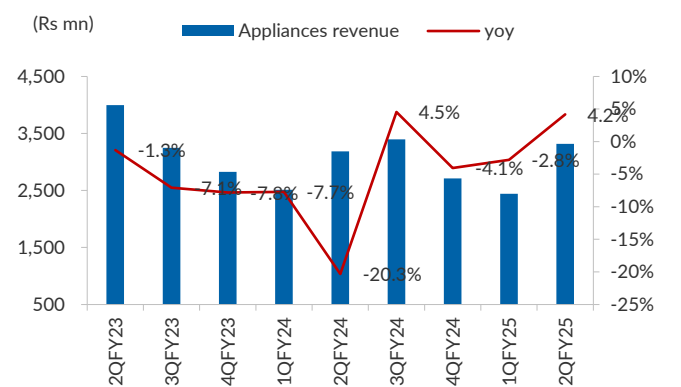
Source: Company, YES Sec

Exhibit 7: Lower exports have impacted cookware revenue



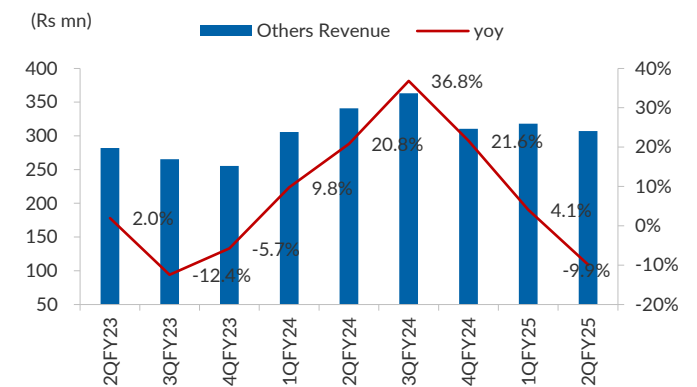
Source: Company, YES Sec

Exhibit 8: Slowdown in demand has impacted Appliances revenue



Source: Company, YES Sec

Exhibit 9: Others segment revenue growth has declined on poor performance of cleaning solutions



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Business Update** – GT, e-commerce and modern trade has seen growth. Rural channel and institutional channel is facing challenges. However the company believes performance in 2H is expected to be better.
- **Commodity** – Commodity prices have seen surge and management expect commodity prices to stay at elevated level that would impact margin in ensuing quarters.
- **Exports** – Exports revenue has been lower despite the robust export orders, shipments has been deferred to 2H of the year. Deferment is on account of unavailability containers.
- **Investments** – The company is making certain investments and have hired consultant. Phase 1 of the work is done and their finding and solutions are being evaluated by the company.
- **Prestige xclusive** – The company is rationalizing prestige stores and closing down the stores which are not meeting growth criteria and replacing it with the general distribution.
- **Industry growth** – Growth has been at the mass end and at the premium end, while mid-range has struggled.
- **Outlook** – Outlook is positive given the channel performance, while rural is expected to be subdued. 2H will see better growth. October has been better growth with Diwali falling in the 1st week of November.
- **Rural demand muted** – Combination of rural channel and rural demand has resulted in muted rural demand. MFI based channel is facing their own challenges.

FINANCIALS

Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	139	139	139	139	139
Reserves	18,034	20,495	21,951	23,648	25,682
Net worth	18,172	20,633	22,090	23,787	25,821
Debt	0	0	0	0	0
Deferred tax liab (net)	362	302	302	302	302
Other non current liabilities	282	905	906	907	908
Total liabilities	18,816	21,840	23,297	24,995	27,030
Fixed Asset	3,816	4,517	5,019	5,465	5,857
Investments	5,489	5,659	5,659	5,659	5,659
Other Non-current Assets	849	1,367	1,910	2,406	2,820
Net Working Capital	7,944	10,041	10,525	11,037	11,502
Inventories	4,904	4,583	5,028	5,650	6,215
Sundry debtors	3,057	2,644	3,125	3,512	3,864
Loans and Advances	78	230	230	230	230
Sundry creditors	2,460	2,287	2,687	3,020	3,322
Other current liabilities	1,640	1,905	1,961	2,182	2,384
Cash & equivalents	718	256	184	428	1,191
Total Assets	18,816	21,840	23,297	24,995	27,030

Source: Company, YES Sec

Exhibit 11: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	26,257	25,007	25,810	29,005	31,905
Operating profit	3,594	3,109	2,905	3,505	4,305
Depreciation	477	589	694	827	959
Interest expense	50	89	104	104	104
Other income	429	751	871	895	917
Profit before tax	3,495	3,182	2,977	3,469	4,158
Taxes	894	794	743	865	1,037
Minorities and other	-	-	-	-	-
Adj. profit	2,602	2,388	2,235	2,604	3,121
Exceptional items	-	-	-	-	-
Net profit	2,602	2,388	2,235	2,604	3,121

Source: Company, YES Sec

Exhibit 12: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	3,545	3,271	3,081	3,573	4,262
Depreciation	477	589	694	827	959
Tax paid	(894)	(794)	(743)	(865)	(1,037)
Working capital Δ	(936)	(2,166)	(484)	(512)	(465)
Other operating items					
Operating cashflow	2,193	900	2,549	3,022	3,719
Capital expenditure	(629)	(1,290)	(1,196)	(1,273)	(1,351)
Free cash flow	1,564	(390)	1,353	1,749	2,369
Equity raised	-	904	-	0	0
Investments	-	(101)	-	-	-
Debt financing/disposal	-	-	-	-	-
Interest paid	(50)	(89)	(104)	(104)	(104)
Dividends paid	(890)	(832)	(778)	(907)	(1,087)
Net Δ in cash	572	(462)	(72)	244	764

Source: Company, YES Sec

Exhibit 13: Du-point analysis

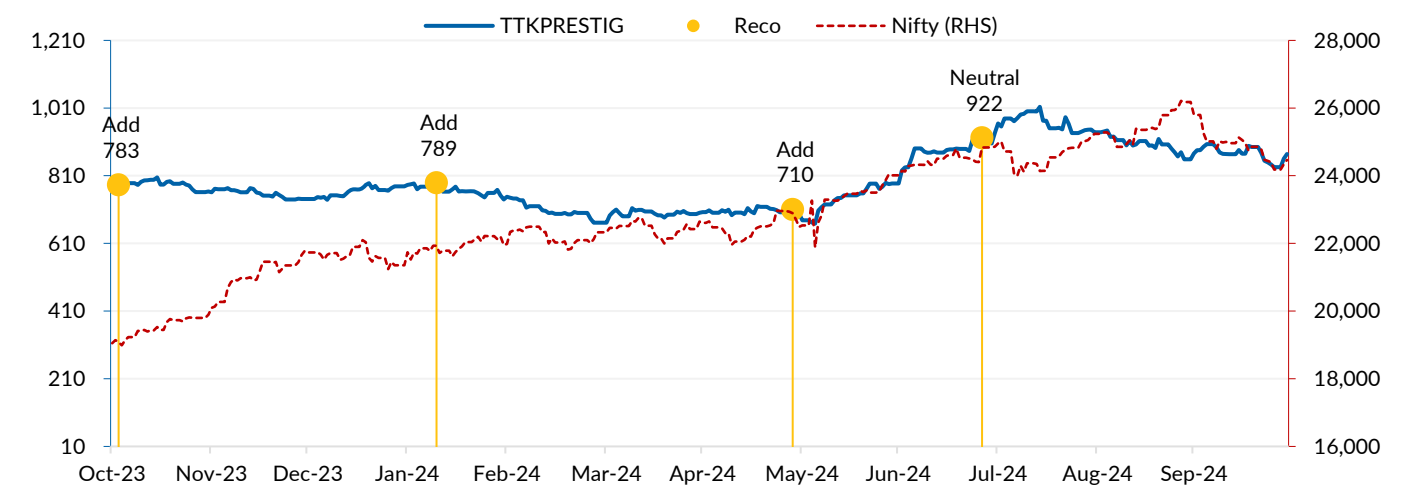
Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.74	0.75	0.75	0.75	0.75
Interest burden (x)	0.99	0.97	0.97	0.97	0.98
EBIT margin (x)	0.14	0.13	0.12	0.12	0.13
Asset turnover (x)	1.16	1.02	0.95	0.99	1.01
Financial leverage (x)	1.31	1.27	1.27	1.28	1.28
RoE (%)	15.0	12.3	10.5	11.4	12.6

Exhibit 14: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)					
Revenue growth	3.7	(4.8)	3.2	12.4	10.0
Op profit growth	(11.5)	(13.5)	(6.6)	20.7	22.8
EBIT growth	1.6	(7.7)	(5.8)	15.9	19.3
Net profit growth	7.1	(8.2)	(6.4)	16.5	19.9
Profitability ratios (%)					
OPM	13.7	12.4	11.3	12.1	13.5
EBIT margin	13.5	13.1	11.9	12.3	13.4
Net profit margin	9.9	9.5	8.7	9.0	9.8
RoCE	20.5	16.9	14.4	15.6	17.2
RoNW	15.0	12.3	10.5	11.4	12.6

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
RoA	11.5	9.7	8.2	8.9	9.9
Per share ratios					
EPS	18.8	17.2	16.1	18.8	22.5
Dividend per share	6.4	6.0	5.6	6.5	7.8
Cash EPS	22.2	21.5	21.1	24.7	29.4
Book value per share	131.1	148.9	159.4	171.6	186.3
Valuation ratios					
P/E	46.6	50.7	54.2	46.5	38.8
P/CEPS	39.3	41.8	43.9	35.3	29.7
P/B	6.3	5.9	5.5	5.1	4.7
EV/EBIDTA	33.5	38.9	41.6	34.4	27.9
Payout (%)					
Dividend payout	34.2	34.8	34.8	34.8	34.8
Tax payout	25.6	24.9	24.9	24.9	24.9
Liquidity ratios					
Debtor days	42.5	38.6	44.2	44.2	44.2
Inventory days	68.2	66.9	71.1	71.1	71.1
Creditor days	34.2	33.4	38.0	38.0	38.0

Recommendation Tracker



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Name of the Research Analyst : Aakash Fadia

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ADD: Upside between 10% to 20% over 12 months

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NOT RATED / UNDER REVIEW

Analyst signature

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