

July 26, 2024

RESULT REPORT Q1 FY25 | Sector: Consumer Durables

TTK Prestige Ltd

Demand environment to improve; assign Neural rating

Result Synopsis

TTKPT delivered flattish revenue growth (2.7% lower than estimates). Flattish revenue growth was on due to liquidation of trade sock and larger share of wallet going towards summer related products. On the channel from the new age channels like modern trade, E-commerce, quick commerce continues to do well, traditional GT channel has been subdued. Rural Channel driven by MFI has not performed well as they were impacted by elections. The company has able to maintain its gross margins, while negative operating leverage has impacted EBITDA margins. On the positive front month of June has seen double digit growth with growth momentum being carried in Q2 as well. TTKPT has chalked out the growth strategy where it will be aggressively focus on launching new innovative products which has been lacking by the company. New products have been contributing large part of the sales and management expects industry demand to come back in next couple of quarters. Management transition has been smooth, and Mr. Venkatesh Vijay Raghavan will take over as MD & CEO of the company from 1st October 2024. Expectation of the industry growth, management chalking out strategy of outperforming industry and higher number of new launches we increase the target multiple to 45x vs 40x earlier and arrive at PT of Rs978. We now assign Neural rating as there is limited upside from the CMP.

We continue to expect FY24-26E growth trajectory of 9.5% revenue CAGR, while we moderate our margin expectation as there will be expenses towards, the consultancy fees and new launches. We now estimate FY24-26E EBITDA and PAT CAGR of 16.5% and 12.3% 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 45x on FY26 EPS resulting in PT of Rs978 and assign Neural rating.

Result Highlights

- Topline** – Revenue was marginally lower than estimates with revenue remaining flattish yoy. trade stock liquidation and higher allocation of wallet towards the summer products impacted topline.
- Margins** – Company EBITDA margin at 10.8% contracted by 92bps on yoy basis, this is lower than the company's historical margins. However, its EBITDA margins are being relatively less impacted as compared to its peers.
- Exports** – Exports have continued to remain feeble due to the implications from escalating geo-political tension impacting the container availability. However, outlook for exports remains positive.
- New product launches** – The company is aggressively focusing new innovative product launches, which company had been lacking in past few quarters. The company plans to launch 83 new SKU's in Q2 which is more than double from Q1

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	5,513	5,663	NA	-2.7	NA	Negative operating leverage resulted in margin miss
EBITDA	597	683	NA	-12.5	NA	
EBITDA Margin (%)	10.8	12.1	NA	-130 bps	NA bps	
Adjusted PAT	469	525	NA	-10.8	NA	

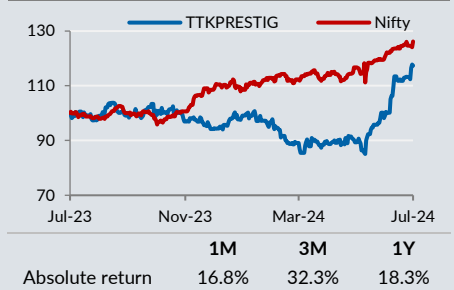
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 922
Target Price	: Rs 978
Potential Return	: +6.1%

Stock data (as on July 26, 2024)

Nifty	24,835
52 Week h/l (Rs)	936/647
Market cap (Rs/USD mn)	128253/1532
Outstanding Shares (mn)	139
6m Avg t/o (Rs mn):	66
Div yield (%):	0.8
Bloomberg code:	TTKPT IN
NSE code:	TTKPRESTIG

Stock performance



Shareholding pattern (As of Dec'23 end)

Promoter	70.4%
FII+DII	21.5%
Others	8.1%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	978	794

Δ in earnings estimates

	FY25e	FY26e
EPS (New)	19.8	21.7
EPS (Old)	20.1	22.1
% change	-1.5%	-1.8%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenue	25,007	27,269	29,996
YoY Growth	-4.8	9.0	10.0
EBIDTA	3109	3627	4101
YoY Growth	-13.5	16.7	13.1
PAT	2388	2741	3013
YoY Growth	-8.2	14.8	9.9
ROE	12.3	12.7	12.9
EPS	17.2	19.8	21.7
P/E	53.5	46.6	42.4
BV	148.9	161.8	175.9
EV/EBITDA	41.0	35.2	31.0

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Exhibit 2: Quarterly snapshot (Standalone)

Particulars (Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	y/y %	q/q %	FY24	FY23	y/y %
Sales	5,500	6,837	6,866	5,804	5,513	0.2	(5.0)	25,007	26,257	(4.8)
EBITDA	647	829	850	783	597	(7.6)	(23.7)	3,109	3,594	(13.5)
EBITDA Margin %	11.8	12.1	12.4	13.5	10.8			12.4	13.7	
Depreciation	132.3	143.5	155.8	157.6	157.2	18.8	(0.3)	589	477	23.5
EBIT	515	685	694	626	440	(14.4)	(29.7)	2,520	3,117	(19.2)
EBIT Margin %	9.4	10.0	10.1	10.8	8.0			10.1	11.9	
Interest charges	17	21	26	25	26	53.2	4.8	89	50	77.6
Other Income	182	173	180	216	213	17.1	(1.7)	751	429	75.3
PBT	679	837	849	817	627	(7.7)	(23.3)	3,182	3,495	(9.0)
Tax	175	215	218	186	158	(9.3)	(14.8)	794	894	(11.2)
Effective Tax Rate (%)	25.7	25.7	25.7	22.7	25.3	(1.7)	11.0	24.9	25.6	
PAT	505	622	630	631	469	(7.2)	(25.8)	2,388	2,602	(8.2)
PAT Margin %	9.2	9.1	9.2	10.9	8.5			9.5	9.9	
EPS (Rs)	3.6	4.5	4.5	4.6	3.4	(7.2)	(25.8)	17	19	(8.2)

Source: Company, YES Sec

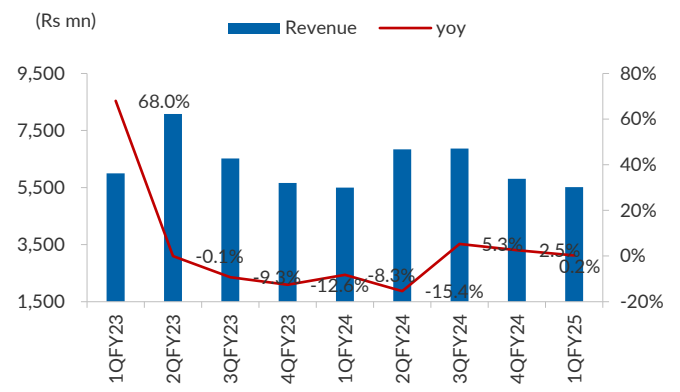
Exhibit 3: Segmental Performance

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	y/y %	q/q %	FY24	FY23	y/y %
Cookers	1,784	2,162	2,068	1,883	1,768	(0.9)	(6.1)	7,897	8,216	(3.9)
Cookware	899	1,149	1,041	902	986	9.7	9.4	3,991	4,172	(4.3)
Appliances	2,512	3,184	3,394	2,709	2,441	(2.8)	(9.9)	11,800	12,788	(7.7)
Others	306	341	363	311	318	4.1	2.4	1,320	1,081	22.1
Total Sales	5,500	6,837	6,866	5,804	5,513	0.2	(5.0)	25,007	26,257	(4.8)

Source: Company, YES Sec

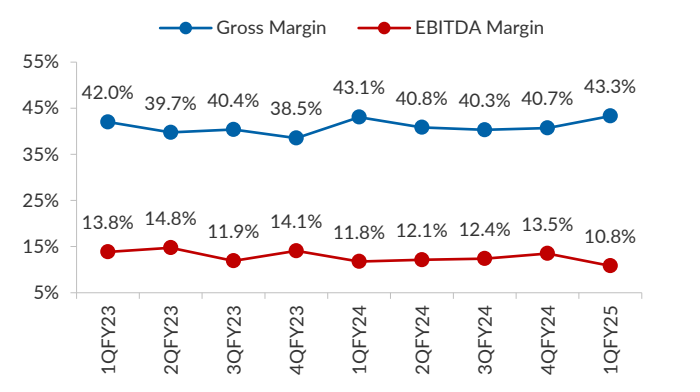
CHARTS

Exhibit 4: Shifting of wallet share towards summer products has resulted in flattish growth



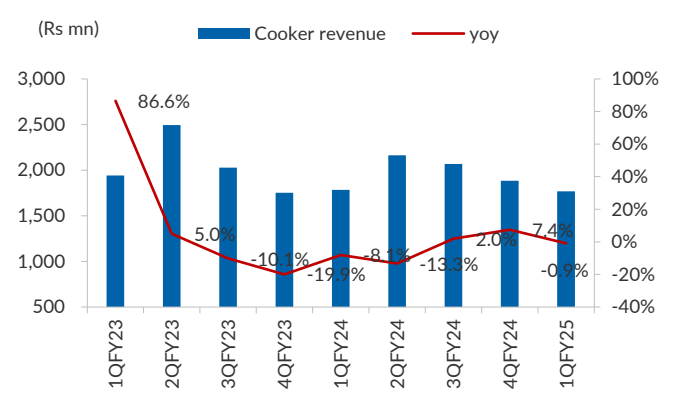
Source: Company, YES Sec

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



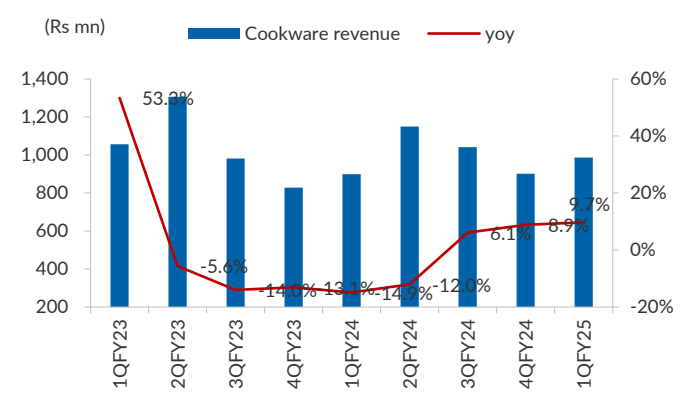
Source: Company, YES Sec

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



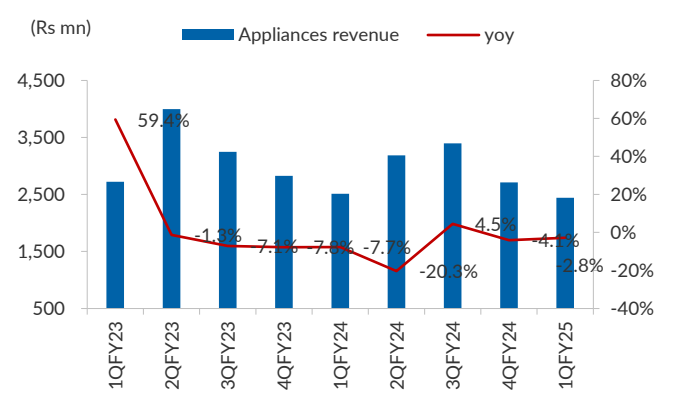
Source: Company, YES Sec

Exhibit 7: Improved mix have resulted in revenue growth for cookware



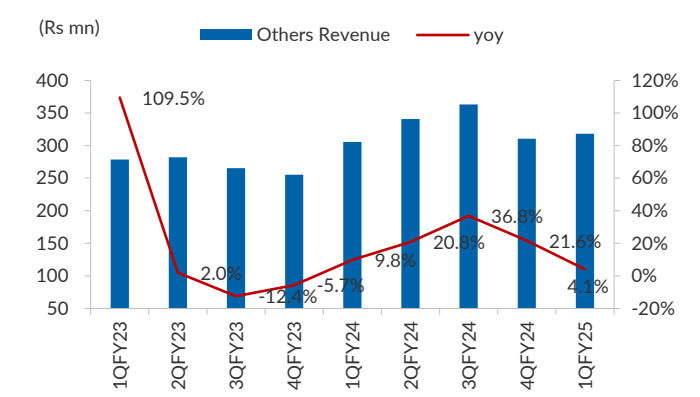
Source: Company, YES Sec

Exhibit 8: Slowdown in GT has impacted Appliances revenue



Source: Company, YES Sec

Exhibit 9: Others segment revenue growth has been slower



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Business Update** – Allocation of wallet share towards the summer products has pose challenges and election has also resulted in some slowdown. Prestige exclusive stores has done well with modern trade also doing well along with the e-comm.
- **Demand** – After subdued April and May, June has seen demand coming back and sales and demand rose in double digit. **Management expects robust industry demand to come back. June double digit growth was across the product category**
- **Management transition** – Management transition has been smooth and Mr. Venkatesh Vijay Raghavan will take over as MD & CEO of the company from 1st Oct 2024.
- **Stock liquidation** – Stock liquidation has been largely done by GT as revenue shifting to modern trade, e-commerce and quick commerce. Expansion of quick commerce has resulted in some slowdown in GT.
- **Growth strategy** – **The company's endeavor is to grow its topline faster than the industry. The company has stepped up new product launches which has been the growth driver in past few quarters. Premiumization will further give fillip to the topline growth**
- **Consultancy fees** – The consultancy fess for the phase 1 of the development is Rs120mn.
- **Prestige exclusive stores**– prestige exclusive stores are now present across the 360 towns. The store sizes are around 600-900 sq feet and most of them are franchisee owned. 12-15% of revenue comes from prestige exclusive stores.
- **Horwood** – UK economy continues to remain subdued resulting in subdued sales for Horwood. Post election it is now expected to improve, will get better clarity in coming time.
- **Rural channel** – Growth has been subdued as rural channel has not performed well as they were driven by MFI which were impacted by election. Going forward this channel will perform better going forward. TTK prestige has been leader in the rural channel.
- **New products** – New product development and product launches will be aggressive in Q2, this initiative will drive the growth in Q2. The company is plugging gaps in the cookware and Appliances hence new launches will be in cookware and Appliances.
- **Pricing decision** – There have not been pricing changes in Q2 and management expects RM prices to correct hence price hikes are not required
- **Judge brand** – Contribution from the Judge brand is only ~3%

FINANCIALS

Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	139	139	139	139	139
Reserves	16,322	18,034	20,495	22,282	24,247
Net worth	16,461	18,172	20,633	22,421	24,386
Debt	0	0	0	0	0
Deferred tax liab (net)	362	362	302	302	302
Other non current liabilities	281	282	905	906	907
Total liabilities	17,104	18,816	21,840	23,628	25,594
Fixed Asset	3,665	3,816	4,517	5,019	5,465
Investments	5,489	5,489	5,659	5,659	5,659
Other Non-current Assets	796	849	1,367	1,928	2,418
Net Working Capital	7,009	7,944	10,041	10,759	11,196
Inventories	5,103	4,904	4,583	5,312	5,843
Sundry debtors	2,987	3,057	2,644	3,302	3,632
Loans and Advances	78	78	230	230	230
Sundry creditors	3,559	2,460	2,287	2,839	3,123
Other current liabilities	1,585	1,640	1,905	2,062	2,251
Cash & equivalents	146	718	256	263	856
Total Assets	17,104	18,816	21,840	23,628	25,594

Source: Company, YES Sec

Exhibit 11: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	25,322	26,257	25,007	27,269	29,996
Operating profit	4,062	3,594	3,109	3,627	4,101
Depreciation	923	477	589	694	827
Interest expense	40	50	89	89	89
Other income	350	429	751	811	832
Profit before tax	3,449	3,495	3,182	3,654	4,017
Taxes	1,019	894	794	912	1,002
Minorities and other	-	-	-	-	-
Adj. profit	2,430	2,602	2,388	2,743	3,015
Exceptional items	-	-	-	-	-
Net profit	2,430	2,602	2,388	2,743	3,015

Source: Company, YES Sec

Exhibit 12: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	3,489	3,545	3,271	3,743	4,106
Depreciation	923	477	589	694	827
Tax paid	(1,019)	(894)	(794)	(912)	(1,002)
Working capital Δ	(1,895)	(936)	(2,166)	(718)	(437)
Other operating items					
Operating cashflow	1,498	2,193	900	2,808	3,494
Capital expenditure	(428)	(629)	(1,290)	(1,196)	(1,273)
Free cash flow	1,070	1,564	(390)	1,612	2,221
Equity raised	62	-	904	0	-
Investments	(201)	-	(101)	-	-
Debt financing/disposal	-	-	-	-	-
Interest paid	(40)	(50)	(89)	(89)	(89)
Dividends paid	(832)	(890)	(832)	(955)	(1,050)
Net Δ in cash	26	572	(462)	7	592

Source: Company, YES Sec

Exhibit 13: Du-point analysis

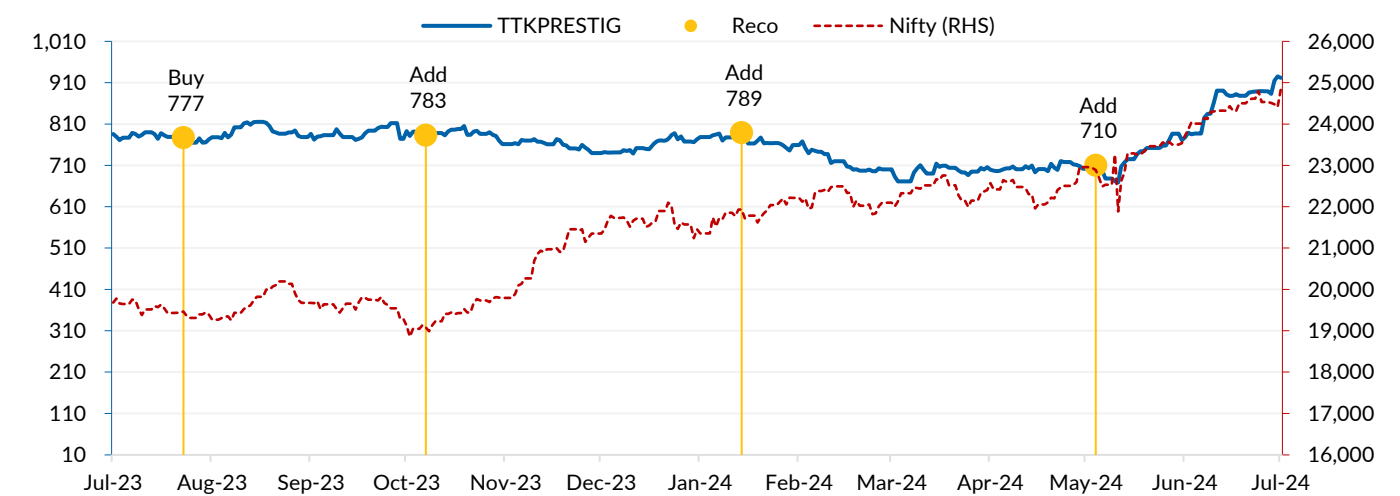
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.70	0.74	0.75	0.75	0.75
Interest burden (x)	0.99	0.99	0.97	0.98	0.98
EBIT margin (x)	0.14	0.14	0.13	0.14	0.14
Asset turnover (x)	1.22	1.16	1.02	0.99	1.00
Financial leverage (x)	1.33	1.31	1.27	1.28	1.28
RoE (%)	15.5	15.0	12.3	12.7	12.9

Exhibit 14: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth matrix (%)					
Revenue growth	24.5	3.7	(4.8)	9.0	10.0
Op profit growth	29.1	(11.5)	(13.5)	16.7	13.1
EBIT growth	14.7	1.6	(7.7)	14.4	9.7
Net profit growth	8.9	7.1	(8.2)	14.9	9.9
Profitability ratios (%)					
OPM	16.0	13.7	12.4	13.3	13.7
EBIT margin	13.8	13.5	13.1	13.7	13.7
Net profit margin	9.6	9.9	9.5	10.1	10.1
RoCE	22.3	20.5	16.9	17.4	17.5
RoNW	15.5	15.0	12.3	12.7	12.9

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
RoA	11.7	11.5	9.7	10.0	10.1
Per share ratios					
EPS	17.5	18.8	17.2	19.8	21.8
Dividend per share	6.0	6.4	6.0	6.9	7.6
Cash EPS	24.2	22.2	21.5	24.8	27.7
Book value per share	118.8	131.1	148.9	161.8	175.9
Valuation ratios					
P/E	52.6	49.1	53.5	46.6	42.4
P/CEPS	35.0	41.5	44.1	40.9	33.3
P/B	7.5	6.7	6.2	5.7	5.2
EV/EBIDTA	31.4	35.4	41.0	35.2	31.0
Payout (%)					
Dividend payout	34.2	34.2	34.8	34.8	34.8
Tax payout	29.5	25.6	24.9	24.9	24.9
Liquidity ratios					
Debtor days	43.1	42.5	38.6	44.2	44.2
Inventory days	73.6	68.2	66.9	71.1	71.1
Creditor days	51.3	34.2	33.4	38.0	38.0

Recommendation Tracker



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In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

DISCLOSURE OF INTEREST

Name of the Research Analyst : Aakash Fadia

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

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

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Analyst signature

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