

TTK Prestige

All eyes on festive season

TTK Prestige's Q1FY24 revenue was in line with our estimates falling by 8% YoY; however, it disappointed on EBITDA/PAT, which fell 22/12% YoY. Domestic revenue (down 8%) and exports (down 12%) continued to remain weak on (1) demand softness due to an inflationary environment; (2) consumer wallet share moving away from kitchen appliances; (3) high base of LY; (4) pricing-led competitive intensity; and (5) weak global macroeconomic environment. Gross margin expanded by 110bps YoY to 43%, while EBITDAM fell 210bps YoY to 11.8% (HSIE 13.5%) on negative oplev. With no near-term trigger in sight and a high base, we expect near-term demand to remain soft. We expect positive revenue growth only from Q3 onwards. We maintain our estimates and value the stock on 30x Jun-25 EPS to derive a TP of INR 725. Maintain REDUCE.

- **Weakness in revenue sustains:** Revenue fell 8% YoY to INR 5.5bn (in line with HSIE) as Cooker/Cookware/Appliances revenue fell by 8/15/8%. Domestic revenue fell 8% YoY as demand remained soft due to inflation and a reduction in wallet share away from kitchen appliances. Export revenue fell 12% YoY due to the weak global economic environment. The kitchen appliances industry continued to witness increased competitive intensity (more so in the mid-economy segment) as there was increased discounting by most brands and online channels. While all channels were active throughout the quarter, Prestige Xclusive stores, e-com and CSD registered growth. TTK introduced 55 new SKUs across all categories. Prestige Xclusive chain stood strong at 671 stores in 368 towns. We model an 8% revenue CAGR over FY23-26E.
- **GM expands, negative oplev impact EBITDAM:** GM expanded by 110bps YoY to 43.1% (HSIE 39.5%), aided by a stable RM environment and a favourable channel mix. Employee/other expenses were up by +12/-2% YoY. EBITDAM contracted by 210bps YoY to 11.8% (HSIE 13.5%), far lower than mid-teens aspiration by management. EBITDA fell 22% YoY to INR 674mn (HSIE 746mn). PAT decline was restricted to 12% YoY to INR 505mn, aided by a 2.7x increase in other income. We expect EBITDAM to hover at the lower end of the guidance band of 14-16% during FY24/25/26.
- **Con call takeaways:** (1) Demand environment remains challenging, given inflation and shift in consumer wallets. Expect a turnaround in H2FY24. (2) Cookware segment included a one-off sale in the base quarter which is making the decline look large. (3) Repositioned 'Judge' brand. Launched new products along with distribution network expansion. (4) In pressure cookers, cookware and gas stove, "Judge" will act as an entry brand. Will streamline products within the "Judge" and "Prestige" brands to eliminate product overlap. (5) A&P spending has been consistent at 6-6.5%. Will continue in the same range going ahead. (6) TTK is working on launching a new premium brand likely by Q4FY24. (7) Free cash stood at INR 8.4bn as of 30th Jun'23.

Quarterly/annual financial summary

(INR mn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	5,500	5,997	(8.3)	5,660	(2.8)	27,225	27,771	29,799	32,512	35,361
EBITDA	647	830	(22.0)	797	(18.8)	4,259	3,585	4,134	4,593	5,052
APAT	505	576	(12.4)	594	(15.0)	3,054	2,549	3,033	3,366	3,712
EPS (INR)	3.6	4.2	(12.4)	4.3	(15.0)	22.0	18.4	21.9	24.3	26.8
P/E (x)						35.0	41.9	35.2	31.7	28.8
EV / EBITDA						23.4	27.6	23.6	20.8	18.5
RoCE (%)						29.9	21.9	24.1	25.5	26.7

Source: Company, HSIE Research

REDUCE

CMP (as on 14 Aug 2023)	INR 771
Target Price	INR 725
NIFTY	19,435

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 725	INR 725
EPS %	FY24E	FY25E
	0%	0%

KEY STOCK DATA

Bloomberg code	TTKPT IN
No. of Shares (mn)	139
MCap (INR bn) / (\$ mn)	107/1,306
6m avg traded value (INR mn)	71
52 Week high / low	INR 1,051/652

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	7.8	1.1	(11.0)
Relative (%)	2.4	(6.1)	(21.0)

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	70.41	70.41
FIs & Local MFs	13.51	13.66
FPIs	8.63	7.93
Public & Others	7.45	8.00
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Naveen Trivedi

naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Paarth Gala

paarth.gala@hdfcsec.com
+91-22-6171-7336

Riddhi Shah

riddhi.shah@hdfcsec.com
+91-22-6171-7359

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC securities
Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com