

13 August 2023

India | Equity Research | Q1FY24 result review

TTK Prestige

White goods

Weak performance; Model recovery from H2FY24

We believe the steep competition at bottom-of-pyramid continues to impact TTK Prestige as it reported revenue decline of 6.6% YoY with likely market share decline, in our view. We model recovery from H2FY24 due to (1) improving maturity of Judge brand and likely market share gains at bottom-of-pyramid, (2) likely launch of premium brand to tap consumers at top end and (3) favourable base. The correction in commodity prices will likely provide margin tailwinds and also allow higher investments in brand building efforts and trade investments. We believe TTK Prestige is a good business (high RoCE, FCF generation, established brand and distribution and strong promoter/ management background) passing through a rough phase. We remain constructive. Maintain **BUY**.

Q1FY24 results

TTK Prestige reported revenue, EBITDA and PAT decline of 6.6%, 24.2% and 9.9%, respectively YoY due to likely market share losses at bottom-of-pyramid, in our view. We believe smaller/ unorganised players have stabilised post covid and are regaining lost market shares. Commodity deflation led to gross margin expansion of 100bps but negative operating leverage led to EBITDA margin contraction of 239bps YoY. Other income was up 209% YoY.

Segment-wise performance

Segment-wise growth rates: Cookers -8.1%, Cookware -14.9% And Appliances -7.7%. We note the company has introduced 'Judge' brand at bottom-of-pyramid and may gain market share with rising maturity of Judge brand. The company also has plans to introduce a premium brand to tap consumers at top-end. It will help to reduce the pressure on Prestige brand and allow to gain market shares via three different brands.

Valuation and risks

We model TTK Prestige to report revenue and PAT CAGR of 7.6% and 14%, respectively over FY23-25. We also model the FCF generation to remain strong. We also model revival H2FY24 onwards due to favourable base and improving maturity of Judge brand. We maintain BUY rating with DCF based target price of INR 900 (implied P/E 33x FY25E). Key risks are steep inflation in commodity prices and competition and failure of new products.

Financial Summary

Y/E March (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	27,225	27,771	28,698	32,183
EBITDA	4,259	3,585	3,932	4,570
EBITDA Margin (%)	15.6	12.9	13.7	14.2
Net Profit	3,054	2,542	2,788	3,305
EPS (INR)	22.0	18.3	20.1	23.8
EPS % Chg YoY	32.2	(16.8)	9.7	18.5
P/E (x)	35.3	42.5	38.7	32.7
EV/EBITDA (x)	23.6	28.0	25.0	21.2
RoCE (%)	16.7	11.7	11.8	12.7
RoE (%)	18.9	13.8	13.7	14.8

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Market Data

Market Cap (INR)	108bn
Market Cap (USD)	1,306mn
Bloomberg Code	TTKPT IN
Reuters Code	TTKL.BO
52-week Range (INR)	1,051 /652
Free Float (%)	29.0
ADTV-3M (mn) (USD)	1.1

Price Performance (%)	3m	6m	12m
Absolute	10.0	1.0	(9.7)
Relative to Sensex	7.0	9.3	13.1

ESG Disclosure	2021	2022	Change
ESG score	-	-	-
Environment	-	-	-
Social	-	-	-
Governance	-	-	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Earnings Revisions (%)	FY24E	FY25E
Revenue	(8.4)	(8.5)
EBITDA	(8.4)	(8.5)
EPS	(8.9)	(8.7)

Previous Reports

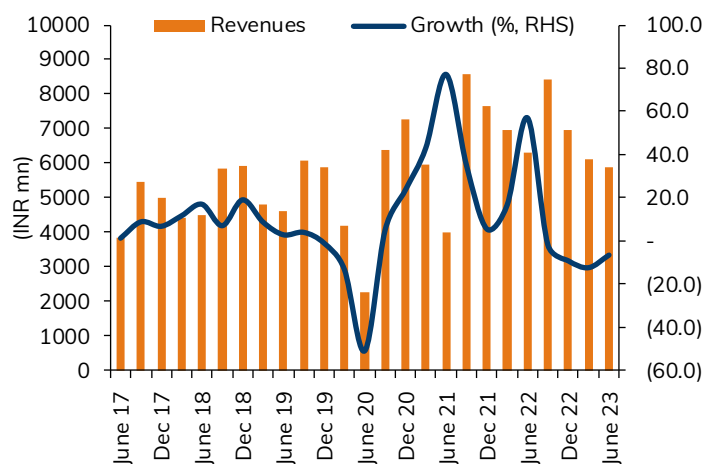
26-05-2023: [Q4FY23 results review](#)

10-03-2023: [Company Update](#)

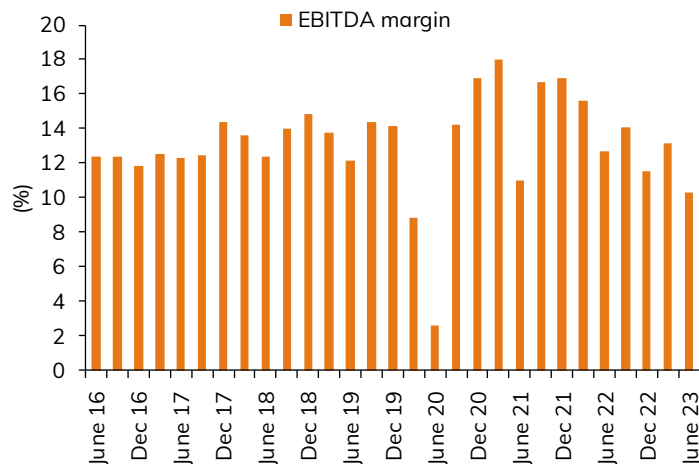
Exhibit 1: Q1FY24 financial performance

Y/e March (INR mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)
Revenue	5,876	6,291	(6.6)	6,110	(3.8)
Expenditure					
Raw materials	3,355	3,655	(8.2)	3,734	(10.1)
% of revenue	57.1	58.1		61.1	
Employee cost	646	567	13.9	675	(4.3)
% of revenue	11.0	9.0		11.0	
Other expenditure	1,269	1,269	(0.0)	900	41.1
% of revenue	21.6	20.2		14.7	
Total expenditure	5,270	5,491	(4.0)	5,308	(0.7)
EBITDA	606	799	(24.2)	801	(24.4)
EBITDA margin	10.3	12.7		13.1	
Other income	211	68	209.4	170	24.2
PBDIT	817	867	(5.8)	971	(15.9)
Depreciation	147	119	24.1	161	(8.3)
PBIT	669	748	(10.6)	810	(17.4)
Interest	27	17	55.5	31	(12.7)
PBT	643	731	(12.1)	779	(17.6)
Prov for tax	169	191	(11.1)	201	(15.6)
% of PBT	26.4	26.1		25.7	
Adjusted PAT	473	541	(12.5)	579	(18.3)
Extra ordinary items	20	(97)	(120.5)	45	(55.8)
Reported PAT	493	444	11.0	624	(21.0)

Source: Company data, I-Sec research

Key performance highlights**Exhibit 2: Revenue and revenue growth**

Source: Company data, I-Sec research

Exhibit 3: EBITDA margin

Source: Company data, I-Sec research

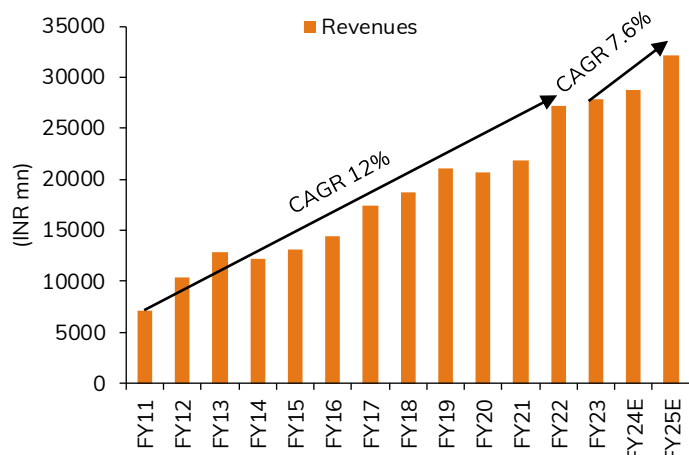
Exhibit 4: Q1FY24 segment-wise performance

Particulars	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)
Revenues (INR mn)					
Cookers	1,784	1,941	(8.1)	1,753	1.8
Cookware	899	1,056	(14.9)	828	8.6
Appliances	2,512	2,722	(7.7)	2,824	(11.1)
Others	306	278	9.8	255	19.7
Subsidiary sales	376	293	28.2	450	(16.4)
Total	6,110	6,975	(12.4)	6,948	(12.1)
As % of Sales					
Cookers	30.4%	30.9%		28.7%	
Cookware	15.3%	16.8%		13.6%	
Appliances	42.7%	43.3%		46.2%	
Others	5.2%	4.4%		4.2%	
Subsidiary sales	6.4%	4.7%		7.4%	
Total	100.0%	100.0%		100.0%	

Source: Company data, I-Sec research

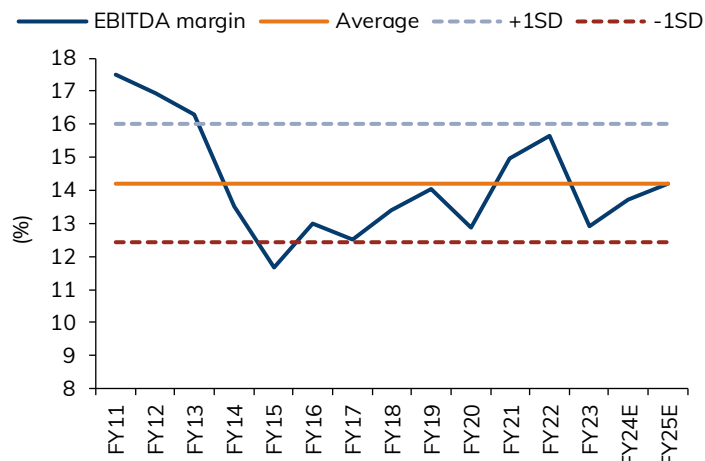
Key ratios – Annual

Exhibit 5: Revenue and revenue growth



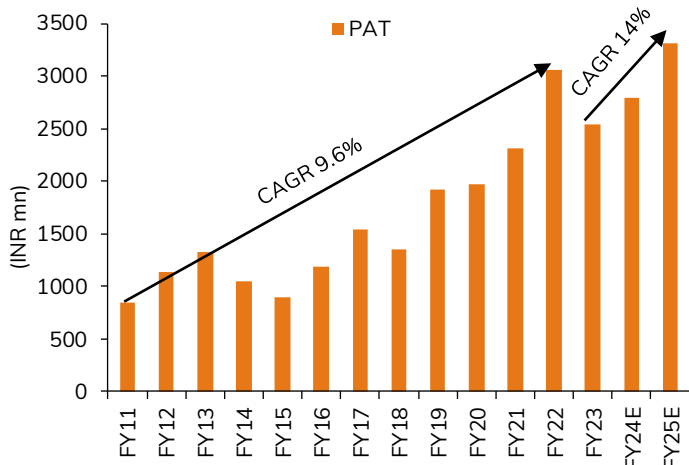
Source: Company data, I-Sec research

Exhibit 6: EBITDA margin



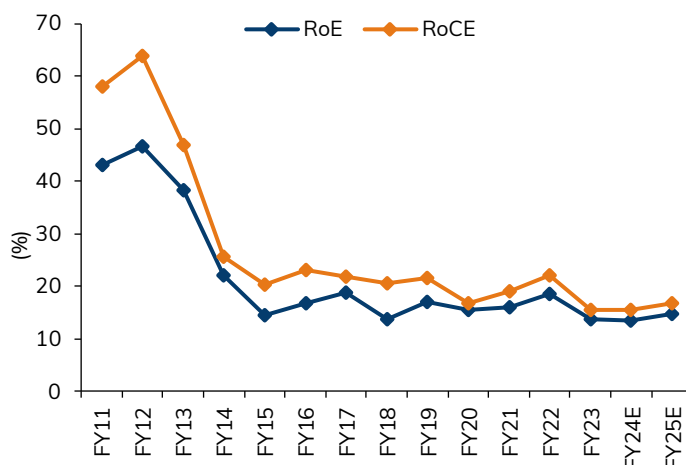
Source: Company data, I-Sec research

Exhibit 7: PAT and PAT growth



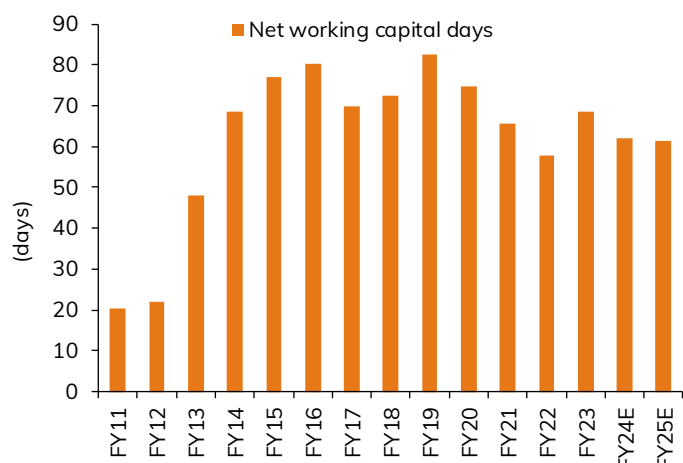
Source: Company data, I-Sec research

Exhibit 8: RoE and RoCE



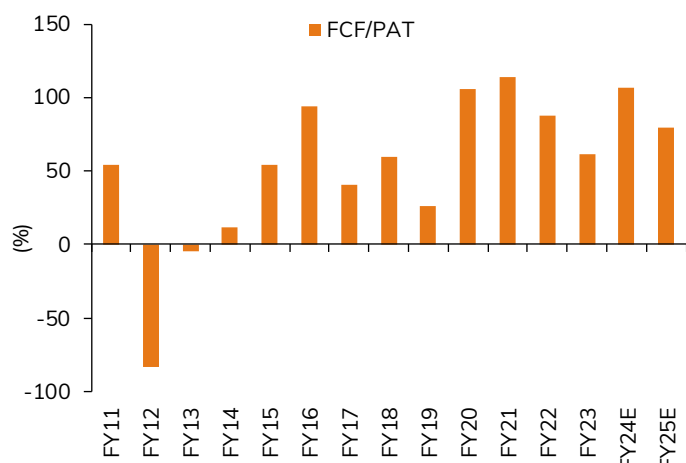
Source: Company data, I-Sec research

Exhibit 9: Net working capital days



Source: Company data, I-Sec research

Exhibit 10: FCF/PAT (%)



Source: Company data, I-Sec research

Valuation and risks

We model TTK Prestige to report revenue and PAT CAGRs of 7.6% and 14% over FY23-FY25E and RoE higher than cost of capital over FY23-25. At our DCF-based target price of INR 900, implied P/E works out to 33x FY25E EPS. Maintain **BUY**.

Exhibit 11: DCF-based valuation

Particulars	Amt (INR)
Cost of Equity	11.3%
Terminal growth rate	5.0%
Discounted interim cash flows	37,019
Discounted terminal value	87,721
Total equity value	1,24,740
Value per share (INR)	900

Source: Company data, I-Sec research

Risks

Sharp increase in input prices and competitive pressures

Major increase in input prices and/or increase in competitive pressures will likely result in downside to our estimates.

Delays in launch of new plants/products

Any delays in launch of new products and/or plants may result in lower earnings than estimated.

Exhibit 12: Shareholding pattern

%	Dec'22	Mar'23	Jun'23
Promoters	70.4	70.4	70.4
Institutional investors	22.4	22.1	21.6
MFs and others	13.1	13.3	12.7
FIs/Banks	-	-	-
Insurance	0.4	0.1	0.9
FIIIs	8.9	8.7	8.1
Others	7.2	7.5	8.0

Source: Bloomberg

Exhibit 13: Price chart



Source: Bloomberg

Financial Summary

Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	27,225	27,771	28,698	32,183
Operating Expenses	22,966	24,186	24,767	27,613
EBITDA	4,259	3,585	3,932	4,570
EBITDA Margin (%)	15.6	12.9	13.7	14.2
Depreciation & Amortization	442	530	549	599
EBIT	3,818	3,055	3,383	3,971
Interest expenditure	62	80	95	87
Other Non-operating Income	351	457	439	533
Recurring PBT	4,106	3,432	3,727	4,418
Profit / (Loss) from Associates	-	22	-	-
Less: Taxes	1,052	882	939	1,113
PAT	3,054	2,550	2,788	3,305
Less: Minority Interest	-	(15)	-	-
Extraordinaries (Net)	(46)	32	-	-
Net Income (Reported)	3,008	2,574	2,788	3,305
Net Income (Adjusted)	3,054	2,542	2,788	3,305

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	13,983	16,126	18,333	20,957
of which cash & cash eqv.	4,046	5,956	7,853	9,277
Total Current Liabilities & Provisions	5,626	4,955	5,596	6,276
Net Current Assets	8,357	11,171	12,737	14,681
Investments	4,129	2,815	2,815	2,815
Net Fixed Assets	4,686	5,275	5,524	5,675
ROU Assets	-	-	-	-
Capital Work-in-Progress	66	98	-	-
Total Intangible Assets	1,281	1,561	1,561	1,561
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	18,519	20,920	22,637	24,733
Liabilities				
Borrowings	851	1,199	1,099	999
Deferred Tax Liability	372	303	303	303
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	139	139	139	139
Reserves & Surplus	17,157	19,246	21,063	23,259
Total Net Worth	17,296	19,385	21,202	23,398
Minority Interest	-	33	33	33
Total Liabilities	18,519	20,920	22,637	24,733

Source Company data, I-Sec research

Exhibit 16: Quarterly trend

(INR mn, year ending March)

	Sep-22	Dec-22	Mar-23	Jun-23
Net Sales	8,424	6,948	6,110	5,876
% growth (YOY)	(1.9)	(9.2)	(12.4)	(6.6)
EBITDA	1,184	800	801	606
Margin %	14.1	11.5	13.1	10.3
Other Income	86	133	170	211
Extraordinaries	(116)	201	45	20
Adjusted Net Profit	723	777	638	500

Source Company data, I-Sec research

Exhibit 17: Cashflow statement

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Operating Cashflow	3,090	2,224	3,668	3,383
Working Capital Changes	(805)	(1,142)	331	(520)
Capital Commitments	(422)	(677)	(700)	(750)
Free Cashflow	2,667	1,547	2,968	2,633
Other investing cashflow	(1,958)	(1,328)	-	-
Cashflow from Investing Activities	(2,380)	(2,005)	(700)	(750)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(123)	9	(100)	(100)
Dividend paid	(762)	(485)	(970)	(1,109)
Others	-	-	-	-
Cash flow from Financing Activities	(885)	(476)	(1,070)	(1,209)
Chg. in Cash & Bank balance	(175)	(257)	1,897	1,424
Closing cash & balance	582	325	7,853	9,277

Source Company data, I-Sec research

Exhibit 18: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
Per Share Data (INR)				
Reported EPS	22.0	18.3	20.1	23.8
Adjusted EPS (Diluted)	22.0	18.3	20.1	23.8
Cash EPS	25.2	22.2	24.1	28.2
Dividend per share (DPS)	5.5	3.5	7.0	8.0
Book Value per share (BV)	124.8	139.9	153.0	168.8
Dividend Payout (%)	25.0	19.1	34.8	33.6
Growth (%)				
Net Sales	24.5	2.0	3.3	12.1
EBITDA	30.1	(15.8)	9.7	16.2
EPS (INR)	32.2	(16.8)	9.7	18.5
Valuation Ratios (x)				
P/E	35.3	42.5	38.7	32.7
P/CEPS	30.9	35.1	32.3	27.6
P/BV	6.2	5.6	5.1	4.6
EV / EBITDA	23.6	28.0	25.0	21.2
P / Sales	4.0	3.9	3.8	3.4
Dividend Yield (%)	0.7	0.4	0.9	1.0
Operating Ratios				
Gross Profit Margins (%)	41.4	40.2	40.7	41.2
EBITDA Margins (%)	15.6	12.9	13.7	14.2
Effective Tax Rate (%)	25.6	25.7	25.2	25.2
Net Profit Margins (%)	11.2	9.2	9.7	10.3
NWC / Total Assets (%)	45.1	53.4	56.3	59.4
Net Debt / Equity (x)	(0.4)	(0.4)	(0.5)	(0.5)
Net Debt / EBITDA (x)	(1.7)	(2.1)	(2.4)	(2.4)
Profitability Ratios				
RoCE (%)	16.7	11.7	11.8	12.7
RoE (%)	18.9	13.8	13.7	14.8
RoIC (%)	16.7	11.7	11.8	12.7
Fixed Asset Turnover (x)	4.2	3.7	3.4	3.5
Inventory Turnover Days	87	79	74	77
Receivables Days	49	44	48	50
Payables Days	82	64	70	73

Source Company data, I-Sec research

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