

29 May 2024

India | Equity Research | Q4FY24 results review

## TTK Prestige

White Goods

### Stable performance amidst steep competitive pressures; model recovery H2FY25E onwards

Highlights: (1) TTK reported revenue decline of 3.6% in FY24 primarily due to weak consumer demand. However, there was revival in H2FY24 with 3.6% revenue growth YoY. We believe it indicates higher growth in FY25. Favourable base of FY24 will also aid in FY25. (2) TTKPT has likely defended its market share across product categories despite higher competitive pressures over past three years. (3) Strong momentum in alternative channels has partly offset weakness in general trade. (4) Client additions in exports segment may aid in delivering higher growth in FY25 YoY. (5) Gross margin has largely remained intact despite higher sales promotion expenses. We remain structurally positive on TTK Prestige led by its high RoCE, FCF generation, established brand, distribution and strong promoter background.

We marginally cut our earnings estimates for FY25/26E to factor in Q4FY24 result. Retain **BUY** with a revised DCF-based target price of INR 825.

### Q4FY24 result

TTKPT reported revenue growth of 1.9% YoY. However, EBITDA and PAT declined 3.7% and 1.0%, respectively, YoY. While TTKPT's revenue declined 3.6% in FY24, 3.6% YoY revenue growth in H2FY25 indicates signs of better growth in FY25. Gross margin expanded 192bps YoY primarily on lower input cost. However, EBITDA margin contracted 72bps YoY due to higher other expenses (likely higher ad-spends in our view). Other income was up 9.3% YoY.

### Segment-wise performance

Segment-wise YoY revenue growth rates – cookers: +7.4%; cookware: +8.9%; and appliances: -4.1%. Revenue contribution of Appliances to total sales has contracted YoY due to higher growth of cooker and cookware and base effect.

### Market shares remain intact

Despite intensified competition, TTKPT has likely defended its market share across product categories led by established brand, strong distribution reach and diverse product portfolio. Further, it is focusing on sub-segmentation strategy to expand its market share across product categories.

### Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	27,771	26,781	29,436	32,364
EBITDA	3,585	3,037	3,915	4,434
EBITDA Margin (%)	12.9	11.3	13.3	13.7
Net Profit	2,542	2,285	2,763	3,162
EPS (INR)	18.3	16.5	19.9	22.8
EPS % Chg YoY	(16.8)	(10.1)	20.9	14.5
P/E (x)	38.6	42.9	35.5	31.0
EV/EBITDA (x)	25.3	29.4	22.4	19.5
RoCE (%)	11.7	8.3	10.6	11.2
RoE (%)	13.8	11.3	12.7	13.4

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#### Market Data

Market Cap (INR)	98bn
Market Cap (USD)	1,181mn
Bloomberg Code	TTKPT IN
Reuters Code	TTKL.BO
52-week Range (INR)	833 /661
Free Float (%)	29.0
ADTV-3M (mn) (USD)	0.8

Price Performance (%)	3m	6m	12m
Absolute	(4.3)	(7.3)	2.9
Relative to Sensex	(8.2)	(20.9)	(17.3)

Earnings Revisions (%)	FY25E	FY26E
Revenue	(2.4)	(4.3)
EBITDA	(2.4)	(4.3)
EPS	(3.6)	(5.3)

#### Previous Reports

07-02-2024: [Q3FY24 results review](#)

30-10-2023: [Q2FY24 results review](#)

### Alternative channels partially offset weakness in general trade

Weak consumer demand has primarily impacted general trade channel. Its weakness is partly offset by relatively higher growth in alternative channels. Smaller/unorganised brands continue to do well in general trade channel, in our view.

### Exports may post higher growth in FY25E

TTKPT added two European clients in its exports segment in Q4FY24. While it has reported revenue decline in Q4FY24 for exports segment, client addition in subsequent quarters may boost YoY exports growth in FY25E.

### Valuation

We model TTKPT to report revenue and PAT CAGRs of 9.9% and 17.6%, respectively, over FY24-26E. We also model FCF generation to remain strong. We envisage a revival in performance H2FY25 onwards led by favourable base and improving maturity of Judge brand. We maintain **BUY** on TTKPT with a revised DCF-based target price of INR 825 (earlier TP: INR 920; implied P/E 37x FY26E).

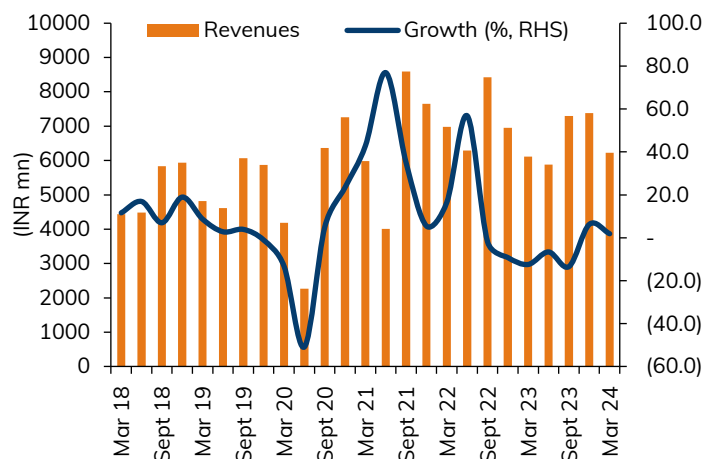
**Key risks:** Steep inflation in commodity prices, increase in competitive intensity and failure of new products.

**Exhibit 1: Q4FY24 financial performance**

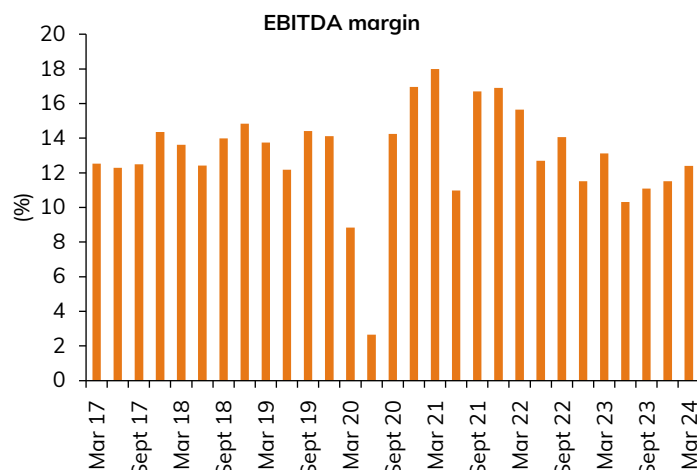
Y/e March (INR mn)	Q4FY24	Q4FY23	YoY chg. (%)	Q3FY24	QoQ chg. (%)	FY24	FY23	YoY chg. (%)
<b>Revenue</b>	<b>6,226</b>	<b>6,110</b>	<b>1.9</b>	<b>7,384</b>	<b>(15.7)</b>	<b>26,781</b>	<b>27,771</b>	<b>(3.6)</b>
<b>Expenditure</b>								
Raw materials	3,685	3,734	(1.3)	4,402	(16.3)	15,753	16,607	(5.1)
% of revenue	59.2	61.1		59.6		58.8	59.8	
Employee cost	638	675	(5.4)	684	(6.7)	2,666	2,364	12.7
% of revenue	10.3	11.0		9.3		10.0	8.5	
Other expenditure	1,131	900	25.7	1,447	(21.9)	5,326	5,215	2.1
% of revenue	18.2	14.7		19.6		19.9	18.8	
Total expenditure	5,454	5,308	2.7	6,534	(16.5)	23,744	24,186	(1.8)
<b>EBITDA</b>	<b>772</b>	<b>801</b>	<b>(3.7)</b>	<b>850</b>	<b>(9.3)</b>	<b>3,037</b>	<b>3,585</b>	<b>(15.3)</b>
EBITDA margin	12.4	13.1		11.5		11.3	12.9	
Other income	185	170	9.3	180	3.2	753	457	65.0
<b>PBDIT</b>	<b>957</b>	<b>971</b>	<b>(1.4)</b>	<b>1,030</b>	<b>(7.1)</b>	<b>3,790</b>	<b>4,042</b>	<b>(6.2)</b>
Depreciation	166	161	3.4	171	(3.0)	644	530	21.4
<b>PBIT</b>	<b>791</b>	<b>810</b>	<b>(2.4)</b>	<b>859</b>	<b>(7.9)</b>	<b>3,146</b>	<b>3,511</b>	<b>(10.4)</b>
Interest	46	31	48.4	30	52.8	134	80	68.1
<b>PBT</b>	<b>745</b>	<b>779</b>	<b>(4.4)</b>	<b>829</b>	<b>(10.1)</b>	<b>3,012</b>	<b>3,432</b>	<b>(12.2)</b>
Prov. for tax	171	201	(14.8)	213	(19.8)	758	882	(14.0)
% of PBT	22.9	25.7		25.7		25.2	25.7	
<b>PAT</b>	<b>574</b>	<b>579</b>	<b>(0.8)</b>	<b>616</b>	<b>(6.7)</b>	<b>2,253</b>	<b>2,550</b>	<b>(11.6)</b>
Minority interest/Share of associate	(13)	(15)	-	(9)	-	(32)	8	-
<b>Adjusted PAT</b>	<b>587</b>	<b>593</b>	<b>(1.0)</b>	<b>625</b>	<b>(6.0)</b>	<b>2,285</b>	<b>2,542</b>	<b>(10.1)</b>
Extra ordinary items	(24)	45	-	87	-	36	32	-
<b>Reported PAT</b>	<b>563</b>	<b>638</b>	<b>(11.8)</b>	<b>712</b>	<b>(20.9)</b>	<b>2,321</b>	<b>2,574</b>	<b>(9.8)</b>

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: Q4FY24 segment-wise performance**

Particulars	Q4FY24	Q4FY23	YoY chg. (%)	Q3FY24	QoQ chg. (%)	FY24	FY23	YoY chg. (%)
<b>Revenues (INR mn)</b>								
Cookers	1,883	1,753	7.4	2,068	(9.0)	7,897	8,273	(4.5)
Cookware	902	828	8.9	1,041	(13.4)	3,991	4,180	(4.5)
Appliances	2,709	2,824	(4.1)	3,394	(20.2)	11,799	12,812	(7.9)
Others	311	255	21.6	363	(14.5)	1,320	992	33.0
Subsidiary sales	421	450	(6.3)	518	(18.7)	1,773	1,514	17.1
<b>Total</b>	<b>6,226</b>	<b>6,110</b>	<b>1.9</b>	<b>7,384</b>	<b>(15.7)</b>	<b>26,781</b>	<b>27,771</b>	<b>(3.6)</b>
<b>As % of Sales</b>								
Cookers	30.2%	28.7%		28.0%		29.5%	29.8%	
Cookware	14.5%	13.6%		14.1%		14.9%	15.1%	
Appliances	43.5%	46.2%		46.0%		44.1%	46.1%	
Others	5.0%	4.2%		4.9%		4.9%	3.6%	
Subsidiary sales	6.8%	7.4%		7.0%		6.6%	5.5%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

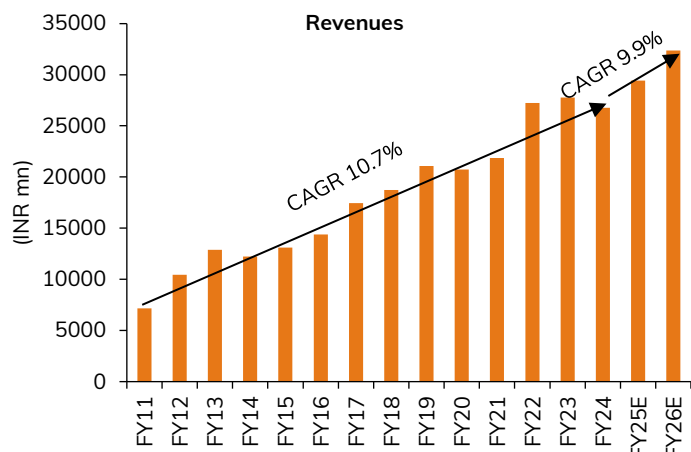
Source: Company data, I-Sec research

## Key takeaways from Q4FY24 results and conference call

- Despite challenging business environment, TTKPT reported revenue growth (+1.9% YoY) in Q4FY24 indicating recovery.
- **Market share:** TTKPT measures its market share for six major product categories on quarterly basis. The company affirms that it has maintained its market share in most categories (+/-10-20bps). TTKPT is focusing on sub-segmentation strategy in some of its product categories and aims to strengthen market shares.
- **Major KRAs for new CEO:** Mr. Venkatesh Vijayaraghvan is likely to focus on (1) sustaining profitable growth of the company, (2) scout for new growth opportunities – both organic or inorganic.
- **Cooker and cookware segment:** TTKPT is focusing on product development in cooker and cookware segment. The company aims to introduce new SKUs which are in line with prevalent business trends in the market. Hawkins introduced multiple new products in FY24 in which it lacked presence earlier. Despite Hawkins' improved presence in south India, TTKPT may have maintained its market share in cooker and cookware segment.
- **Channel performance:** Alternate business channels have registered relatively better growth YoY than general trade channel. General trade channel has remained under pressure due to weak demand.
- **Premium brand:** Launch of premium brand is still a work-in-progress. TTKPT may provide an update on the same over the next three months.
- **Large appliances:** TTKPT has reported subdued performance in large appliances category, similar to peers. Its segmental growth was impacted largely due to weakness in modern trade format channel.
- **New launches:** TTKPT introduced 27 new SKUs in Q4FY24. These launches were across business categories. Newly launched SKUs received positive response in the market.
- Prestige Xclusive chain count stood at 699 as of Q4FY24. These stores are spread across 371 towns and contribute significantly to overall sales.
- **Growth rate:** Decadal growth rate seems lower for FY14-FY24 against FY04-14 primarily due to lower base that the company had before FY04-14 decade. Also, there has been multiple headwinds in the past decade over earlier decade. Consumer habits are largely intact and there is no major shift in business structure/trend.
- **Exports:** Revenue from exports channel stood at INR 135mn in Q4FY24 vs INR 146mn in Q4FY23. TTKPT is on-course to achieve higher growth in FY25. It is aggressively adding customers in Europe. The company has on-boarded two customers in Q4FY24 for exports. Its export business is largely a white-label business (~75% of overall exports), but Prestige-brand sales contribute ~25%.
- **Real estate:** Uptick in real estate sector is a leading indicator of economy. The strong growth in fans and water heaters in Q4FY24 indicates an uptick in real estate demand has started to percolate to allied business categories. Green shoots are now visible in kitchen appliances industry as well led by improved demand at store level.

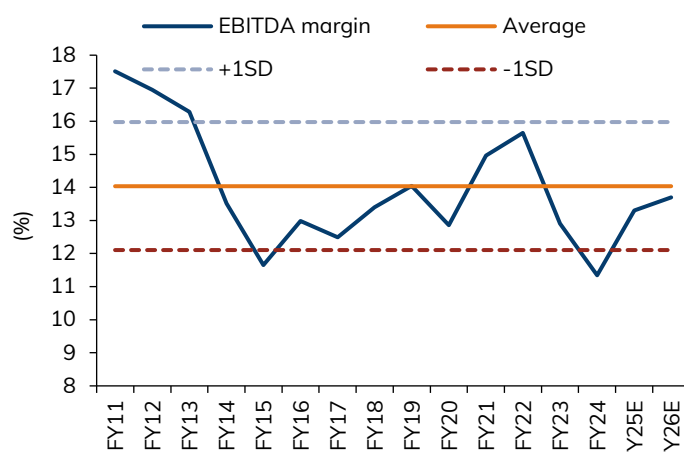
## Key ratios – Annual

**Exhibit 5: Revenue and revenue growth**



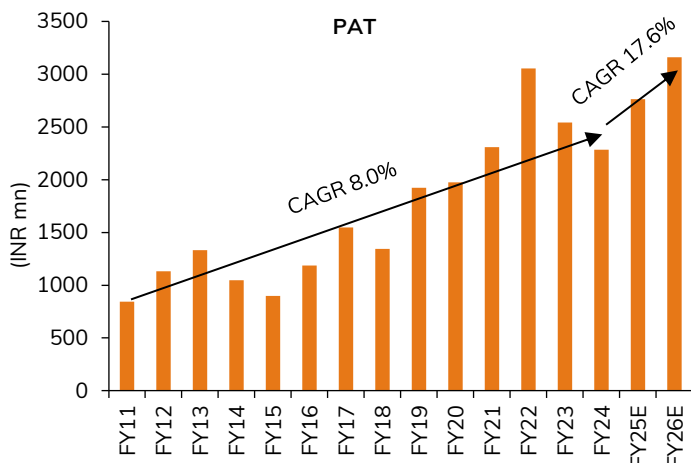
Source: Company data, I-Sec research

**Exhibit 6: EBITDA margin**



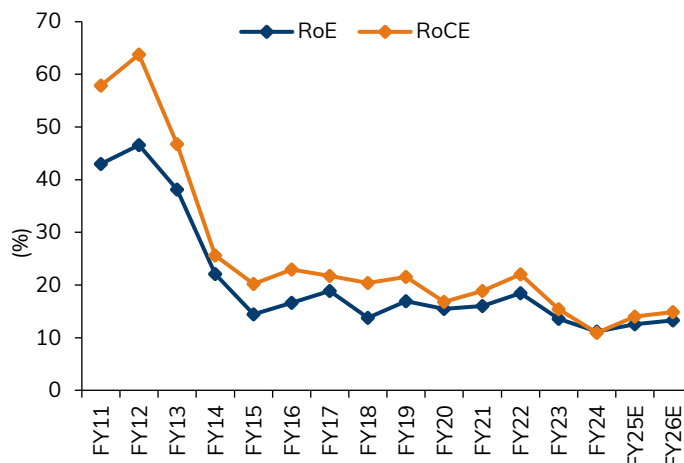
Source: Company data, I-Sec research

**Exhibit 7: PAT and PAT growth**



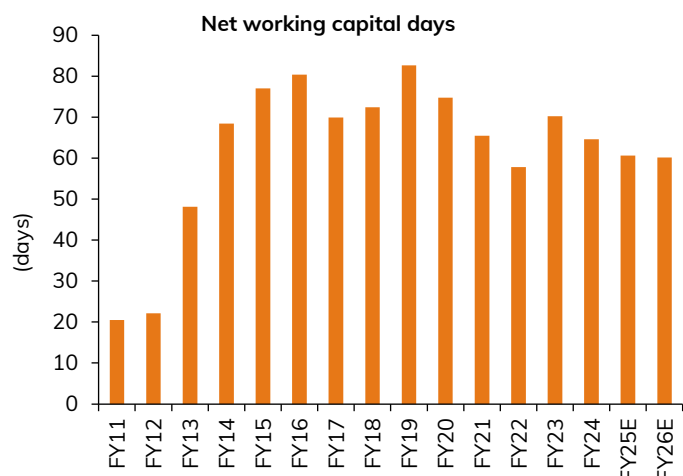
Source: Company data, I-Sec research

**Exhibit 8: RoE and RoCE**



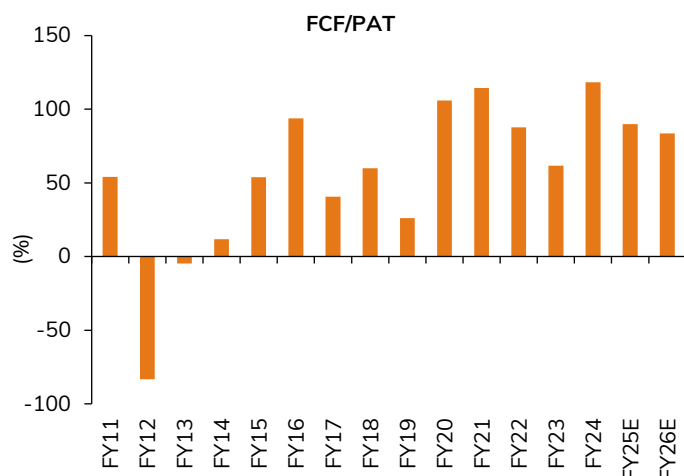
Source: Company data, I-Sec research

**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

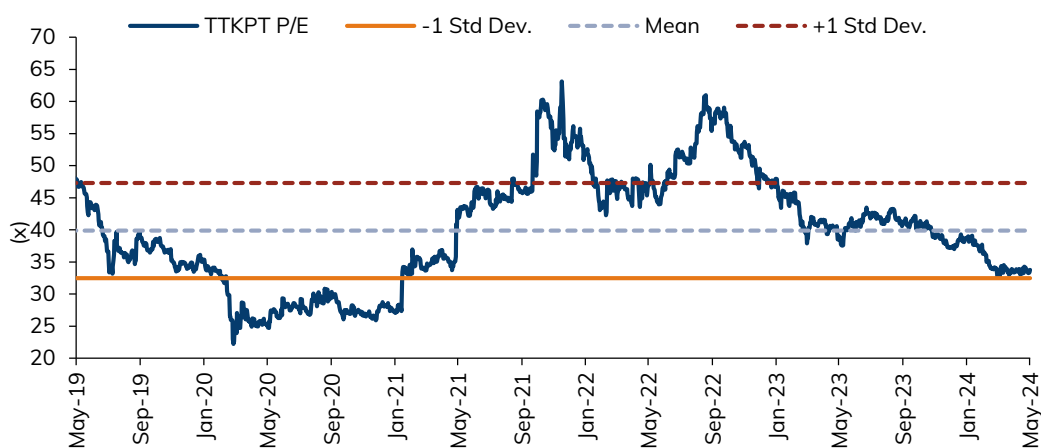
We model TTKPT to report revenue and PAT CAGRs of 9.9% and 17.6% over FY24-26E and RoE higher than cost of capital over similar timeframe. At our revised DCF-based target price of INR 825 (earlier TP: INR920), implied P/E works out to 37x FY26E EPS. Maintain **BUY**.

### Exhibit 11: DCF-based valuation

Particulars	Amt (INR mn)
Cost of Equity (%)	11.0%
Terminal growth rate (%)	5.0%
Discounted interim cash flows (INR mn)	37,577
Discounted terminal value (INR mn)	76,768
Total equity value (INR mn)	1,14,345
<b>Value per share (INR)</b>	<b>825</b>

Source: Company data, I-Sec research

### Exhibit 12: Mean PE (x) and standard deviations



Source: I-Sec research, Bloomberg

## Risks

### Sharp increase in input prices and competitive pressures

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

### Delays in launch of new products

Any delays in launch of new products may result in lower earnings than estimated.

### Exhibit 13: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	70.4	70.4	70.4
Institutional investors	21.4	21.4	21.5
MFs and others	11.1	11.9	11.8
FIs/Banks	-	-	-
Insurance	2.1	2.5	2.6
FIIIs	8.2	7.0	7.1
Others	8.2	8.2	8.1

Source: Bloomberg

### Exhibit 14: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 15: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Net Sales</b>	<b>27,771</b>	<b>26,781</b>	<b>29,436</b>	<b>32,364</b>
Operating Expenses	24,186	23,744	25,521	27,930
<b>EBITDA</b>	<b>3,585</b>	<b>3,037</b>	<b>3,915</b>	<b>4,434</b>
EBITDA Margin (%)	12.9	11.3	13.3	13.7
Depreciation & Amortization	530	644	619	675
EBIT	3,055	2,392	3,296	3,759
Interest expenditure	80	134	131	123
Other Non-operating Income	457	753	528	592
<b>Recurring PBT</b>	<b>3,432</b>	<b>3,012</b>	<b>3,693</b>	<b>4,228</b>
<b>Profit / (Loss) from Associates</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Taxes	882	758	931	1,065
PAT	2,550	2,253	2,763	3,162
Less: Minority Interest	(15)	(32)	-	-
Extraordinaries (Net)	32	36	-	-
<b>Net Income (Reported)</b>	<b>2,574</b>	<b>2,321</b>	<b>2,763</b>	<b>3,162</b>
<b>Net Income (Adjusted)</b>	<b>2,542</b>	<b>2,285</b>	<b>2,763</b>	<b>3,162</b>

Source Company data, I-Sec research

### Exhibit 16: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Total Current Assets</b>	<b>16,126</b>	<b>15,994</b>	<b>18,551</b>	<b>21,001</b>
of which cash & cash eqv.	5,956	6,647	7,920	9,354
<b>Total Current Liabilities &amp; Provisions</b>	<b>4,823</b>	<b>4,605</b>	<b>5,740</b>	<b>6,311</b>
<b>Net Current Assets</b>	<b>11,302</b>	<b>11,389</b>	<b>12,811</b>	<b>14,690</b>
Investments	2,815	3,923	3,923	3,923
<b>Net Fixed Assets</b>	<b>5,275</b>	<b>5,614</b>	<b>5,982</b>	<b>6,057</b>
ROU Assets	-	-	-	-
Capital Work-in-Progress	98	238	-	-
<b>Total Intangible Assets</b>	<b>1,561</b>	<b>1,605</b>	<b>1,605</b>	<b>1,605</b>
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
<b>Total Assets</b>	<b>21,051</b>	<b>22,767</b>	<b>24,321</b>	<b>26,275</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>1,331</b>	<b>1,642</b>	<b>1,542</b>	<b>1,442</b>
<b>Deferred Tax Liability</b>	<b>303</b>	<b>247</b>	<b>247</b>	<b>247</b>
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	139	139	139	139
Reserves & Surplus	19,246	20,738	22,392	24,445
<b>Total Net Worth</b>	<b>19,385</b>	<b>20,876</b>	<b>22,530</b>	<b>24,584</b>
Minority Interest	33	2	2	2
<b>Total Liabilities</b>	<b>21,051</b>	<b>22,767</b>	<b>24,321</b>	<b>26,275</b>

Source Company data, I-Sec research

### Exhibit 17: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
<b>Net Sales</b>	<b>5,876</b>	<b>7,295</b>	<b>7,384</b>	<b>6,226</b>
% growth (YOY)	(6.6)	(13.4)	6.3	1.9
<b>EBITDA</b>	<b>606</b>	<b>808</b>	<b>850</b>	<b>772</b>
Margin %	10.3	11.1	11.5	12.4
Other Income	211	178	180	185
Extraordinaries	20	(47)	87	(24)
<b>Adjusted Net Profit</b>	<b>500</b>	<b>546</b>	<b>625</b>	<b>587</b>

Source Company data, I-Sec research

### Exhibit 18: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>2,224</b>	<b>3,336</b>	<b>3,232</b>	<b>3,392</b>
Working Capital Changes	(1,142)	(91)	(149)	(445)
Capital Commitments	(677)	(676)	(750)	(750)
<b>Free Cashflow</b>	<b>1,547</b>	<b>2,661</b>	<b>2,482</b>	<b>2,642</b>
<b>Other investing cashflow</b>	<b>(1,328)</b>	<b>(1,760)</b>	<b>-</b>	<b>-</b>
Cashflow from Investing Activities	(2,005)	(2,436)	(750)	(750)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	9	(78)	(100)	(100)
Dividend paid	(485)	(832)	(1,109)	(1,109)
Others	-	-	-	-
Cash flow from Financing Activities	(476)	(910)	(1,209)	(1,209)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(257)</b>	<b>(9)</b>	<b>1,274</b>	<b>1,434</b>
Closing cash & balance	325	318	7,920	9,354

Source Company data, I-Sec research

### Exhibit 19: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	18.3	16.5	19.9	22.8
Adjusted EPS (Diluted)	18.3	16.5	19.9	22.8
Cash EPS	22.2	21.1	24.4	27.7
Dividend per share (DPS)	3.5	6.0	8.0	8.0
Book Value per share (BV)	139.9	150.6	162.6	177.4
Dividend Payout (%)	19.1	36.4	40.1	35.1
<b>Growth (%)</b>				
Net Sales	2.0	(3.6)	9.9	9.9
EBITDA	(15.8)	(15.3)	28.9	13.3
EPS (INR)	(16.8)	(10.1)	20.9	14.5
<b>Valuation Ratios (x)</b>				
P/E	38.6	42.9	35.5	31.0
P/CEPS	31.9	33.5	29.0	25.6
P/BV	5.1	4.7	4.4	4.0
EV / EBITDA	25.3	29.4	22.4	19.5
P / Sales	3.5	3.7	3.3	3.0
Dividend Yield (%)	0.5	0.8	1.1	1.1
<b>Operating Ratios</b>				
Gross Profit Margins (%)	40.2	41.2	40.3	40.7
EBITDA Margins (%)	12.9	11.3	13.3	13.7
Effective Tax Rate (%)	25.7	25.2	25.2	25.2
Net Profit Margins (%)	9.2	8.5	9.4	9.8
NWC / Total Assets (%)	25.4	20.8	20.1	20.3
Net Debt / Equity (x)	(0.4)	(0.4)	(0.5)	(0.5)
Net Debt / EBITDA (x)	(2.1)	(2.9)	(2.6)	(2.7)
<b>Profitability Ratios</b>				
RoCE (%)	11.7	8.3	10.6	11.2
RoE (%)	13.8	11.3	12.7	13.4
RoIC (%)	20.7	15.0	20.4	22.5
Fixed Asset Turnover (x)	3.7	3.1	3.1	3.1
Inventory Turnover Days	79	74	76	76
Receivables Days	44	39	50	50
Payables Days	63	59	73	73

Source Company data, I-Sec research



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