

Targeting early double digit revenue growth in FY20

TTK Prestige reported a moderate set of numbers, with numbers coming in below our estimates across all parameters. The management attributed the weak growth to a slowdown in rural demand coupled with delayed monsoon and absence of institutional order in Q1FY20. Revenue grew 3.5% YoY to ₹ 433.6 crore, with cookers segment declining 7% YoY. Excluding the institutional order and rural sales (7-8%), the underlying growth for the quarter was at 17%. On account of negative operating leverage, EBITDA margins declined 20 bps YoY to 13.0%. Following the weak operational performance, PAT grew a mere 1.6% YoY to ₹ 36.5 crore.

Cooker segment impacted most amid rural slowdown...

On the segmental front, cookers segment reported one of its weakest quarterly growth in the recent times with revenues declining 7% YoY to ₹ 140.0 crore in Q1FY20. Since pressure cooker demand in urban markets has relatively matured, the key growth catalyst for the cookers division in recent times has been rural markets. Hence, tepid demand conditions in rural markets have impacted cookers segment the most. Appliances (50% of revenues) and cookware (15.0%) registered revenue growth of 10% and 5% to ₹ 215 crore and ₹ 65 crore, respectively in Q1FY20. There was no price hike taken in the quarter. The management highlighted that revival trends were observed in July. TTK's UK subsidiary, 'Horwood' continues to be affected by uncertain economic conditions in UK (revenue de-grew 8% YoY to ₹ 27 crore).

Modern trade channels including e-commerce gaining scale

Modern trade channels continue to grow at a rapid pace compared to traditional channels. E-commerce channel witnessed strong growth in Q1FY20 after tepid growth in the sequential quarter. As on Q1FY20, TTK has 574 'Prestige Xclusive' stores, which are contributing significantly to total sales. The management expects to add 75-100 stores each year.

Valuation & Outlook

The management has reiterated its stance of doubling its domestic revenues over the next five years capitalising on both organic and inorganic opportunities. The company continues to carry substantial free cash and is continuously seeking acquisition opportunities. TTK Prestige has introduced 35 new SKUs during the quarter and has several new product launches in the pipeline for the festive season (Q2/Q3FY20). Revival in rural demand would also provide a fillip for TTK, as currently mere ~8% of revenues are directly derived from rural markets. Factoring in the performance of Q1FY20, we revise our revenue and earnings estimates downwards for FY20/21E. We model in revenue, PAT CAGR of 13%, 16%, respectively, in FY19-21E. We maintain **HOLD** rating and value it at ₹ 6580 i.e. 35x P/E on FY21E EPS (earlier TP: ₹ 6900).

Key Financial Summary- EPS for FY18/19 adjusted for Bonus issue

(₹ Crore)	FY18	FY19A	FY20E	FY21E	CAGR (FY19-21E)
Net Sales	1,871.4	2,106.9	2,349.4	2,667.6	12.5%
EBITDA	247.4	292.0	335.9	392.2	15.9%
PAT*	263.5	192.4	223.5	260.7	16.4%
EPS (₹)*	190.0	138.7	161.1	188.0	
P/E (x)	31.9	43.7	37.6	32.2	
EV/Sales (x)	4.5	4.0	3.5	3.1	
EV/EBITDA (x)	33.9	28.7	24.8	21.2	
RoCE (%)	19.3	21.8	22.4	23.5	
RoE (%)	25.8	16.5	17.1	17.7	

Source: Company, ICICI Direct Research *Net Profit for FY18 includes exceptional income of ₹ 129 crore



Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	8,399.7
Debt (FY19) (₹ Crore)	54.3
Cash (FY19) (₹ Crore)	81.0
EV (₹ Crore)	8,372.9
52 week H/L	7738 / 4582
Equity Capital (₹ Crore)	13.9
Face Value	10

Key Highlights

- For Q1FY20, cookers segment declined 7% YoY due to lower rural demand while appliances and cookware grew 10% and 5% YoY, respectively
- Modern trade channels grew faster than traditional channels with e-commerce registering fastest growth
- Maintain **HOLD** with target price of ₹ 6580

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Exhibit 1: Variance Analysis

	Q1FY20	Q1FY20E	Q1FY19	YoY (%)	Q4FY19	QoQ (%)	Comments
Revenue	433.6	450.3	418.9	3.5	444.9	-2.5	Domestic sales grew 6% YoY to ₹ 421 crore while exports registered revenue de-growth of 16% YoY to ₹ 13 crore
Other Income	6.4	6.1	4.7	36.3	7.9	-19.0	
Employee Expenses	39.4	44.1	37.7	4.6	43.2	-8.8	Unfavourable product mix led to decline in gross margins. The company has not taken any price hike in Q1FY20
Raw Material Expenses	249.4	256.6	238.3	4.7	257.6	-3.2	
Other Expenses	88.6	87.4	87.5	1.3	79.9	10.8	
EBITDA	56.3	62.1	55.5	1.4	64.2	-12.3	Negative operating leverage led to EBITDA margin contraction by 27 bps YoY
EBITDA Margin (%)	13.0	13.8	13.2	-27 bps	14.4	-145 bps	
Depreciation	7.1	6.9	6.3	13.1	6.7	4.9	
Interest	0.4	0.5	0.3	22.6	0.4	-7.3	
Extraordinary (expense)/Income	0.0	0.0	0.0	NA	0.0	NA	
PBT	55.2	60.9	53.6	3.0	64.9	-15.0	
Tax Outgo	18.7	20.1	17.7	5.9	21.1	-11.1	
PAT	36.5	40.8	35.9	1.6	43.8	-16.8	

Key Metrics

Segment Revenue (₹)							
Cookers	139.9	174.0	150.1	(6.8)	138.0	1.3	
Cookware	64.6	70.0	61.4	5.1	65.5	-1.5	
Appliances	215.1	219.0	194.8	10.4	223.1	-3.6	

Source: Company, ICICI Direct Research

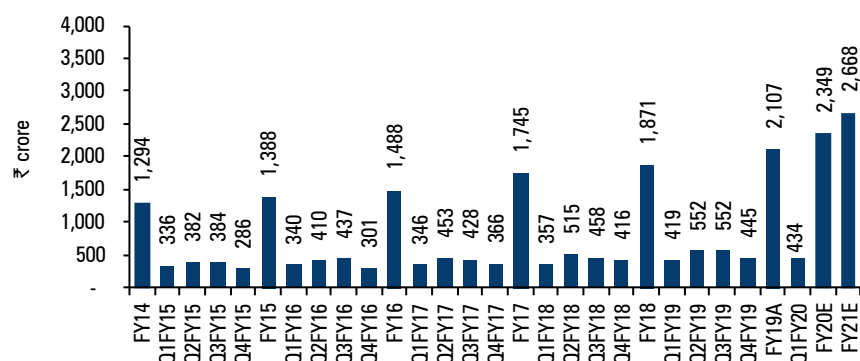
Exhibit 2: Change in estimates

(₹ Crore)	FY20E			FY21E		
	Old	New	% Change	Old	New	% Change
Revenue	2,416.6	2,349.4	-2.8	2,756.2	2,667.6	-3.2
EBITDA	348.5	335.9	-3.6	410.0	392.2	-4.4
EBITDA Margin (%)	14.4	14.3	-12 bps	14.9	14.7	-18 bps
PAT	232.5	223.5	-3.9	273.3	260.7	-4.6
EPS (₹)	167.6	161.1	-3.9	197.1	188.0	-4.6

Source: Company, ICICI Direct Research

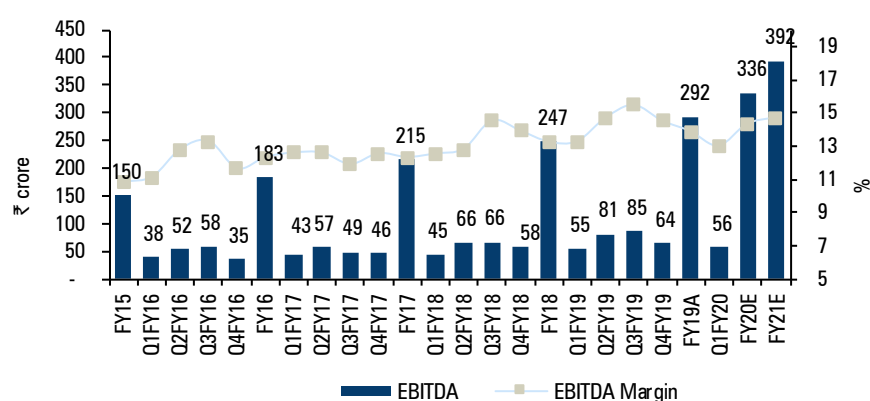
Financial story in charts

Exhibit 3: Revenue trend



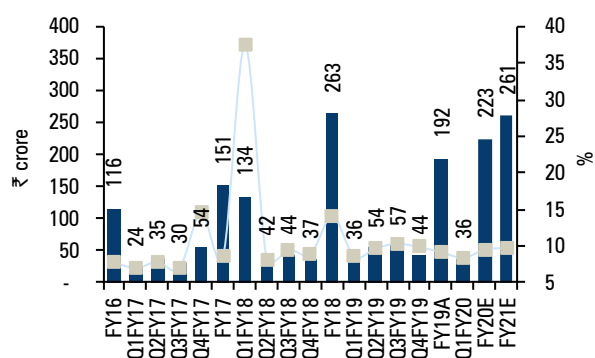
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA and EBITDA margin trend



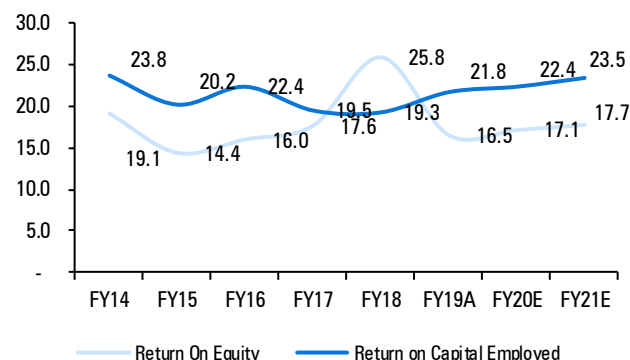
Source: Company, ICICI Direct Research

Exhibit 5: Net profit trend



Source: Company, ICICI Direct Research

Exhibit 6: Return ratio trend



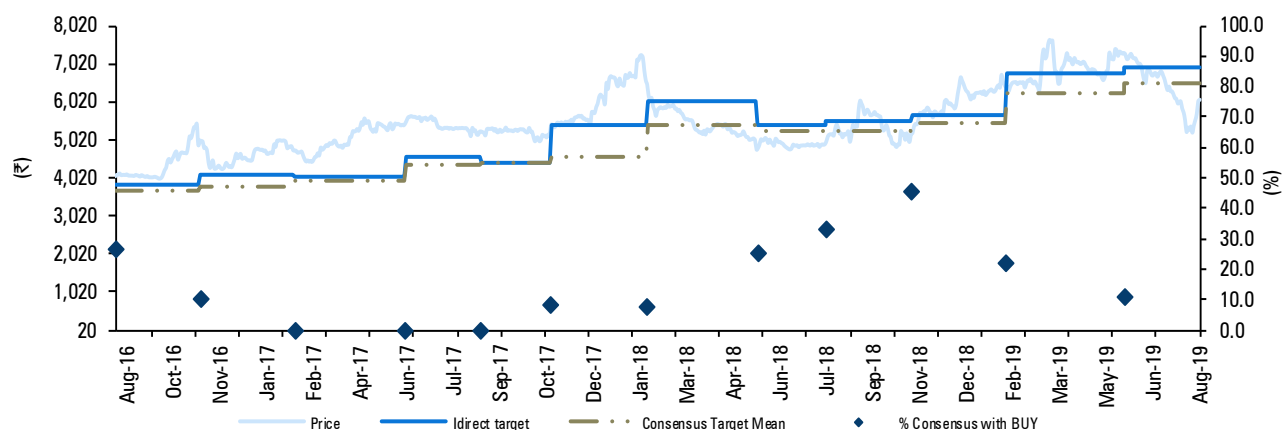
Source: Company, ICICI Direct Research

Exhibit 7: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	1,871.4	7.2	190.0	74.9	31.9	33.9	25.8	19.3
FY19A	2,106.9	12.6	138.7	-27.0	43.7	28.7	16.5	21.8
FY20E	2,349.4	11.5	161.1	16.2	37.6	24.8	17.1	22.4
FY21E	2,667.6	13.5	188.0	16.7	32.2	21.2	17.7	23.5

Source: Company, ICICI Direct Research

Exhibit 8: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 9: Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	T T Krishnamachari & Company	30-Jun-19	60.36%	8.4	0.00
2	Axis Asset Management Company Limited	30-Jun-19	8.02%	1.1	0.00
3	Nalanda Capital Pte Ltd	30-Jun-19	3.49%	0.5	0.00
4	Jagannathan (T T)	30-Jun-19	3.09%	0.4	0.00
5	Mukund (T T)	30-Jun-19	2.38%	0.3	0.00
6	Venkatesh (T T)	30-Jun-19	2.31%	0.3	0.00
7	Tiruvallur (Thatai Lakshman)	30-Jun-19	2.14%	0.3	0.00
8	Wellington Management Company, LLP	30-Jun-19	1.08%	0.2	0.00
9	Schroder Investment Management (Singapore) Ltd.	30-Apr-19	0.79%	0.1	0.00
10	The Vanguard Group, Inc.	30-Jun-19	0.66%	0.1	0.00

Source: Reuters, ICICI Direct Research

Exhibit 10: Recent Activity

BUYS			SELLS		
Investor Name	Value	Shares	Investor Name	Value	Shares
BOI AXA Investment Managers Private Limited	0.66	0.01	Mirae Asset Global Investments (India) Pvt. Ltd.	-1.27	-0.01
Alquity Investment Management Ltd.	0.17	0.00	Wellington Management Company, LLP	-0.23	0.00
Thiagarajan (Arun K.)	0.14	0.00	Sundaram Asset Management Company Limited	-0.21	0.00
The Vanguard Group, Inc.	0.13	0.00	Van Eck Associates Corporation	-0.07	0.00
Credit Suisse Private Banking (Singapore)	0.12	0.00	BlackRock Institutional Trust Company, N.A.	-0.06	0.00

Source: Reuters, ICICI Direct Research

Exhibit 11: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	70.4	70.4	70.4	70.4	70.4
FII	10.0	10.0	9.6	10.3	10.2
DII	8.4	8.6	8.9	8.8	8.8
Others	11.2	11.0	11.1	10.5	10.7

Source: Company, ICICI Direct Research

Financial summary

Exhibit 12: Profit and loss statement

₹ crore

(Year-end March)	FY18	FY19A	FY20E	FY21E
Total operating Income	1,871.4	2,106.9	2,349.4	2,667.6
Growth (%)	7.2	12.6	11.5	13.5
Raw Material Expenses	1,082.1	1,220.6	1,361.5	1,540.6
Employee Expenses	158.6	186.0	202.0	224.1
Manufacturing & other exp	383.2	408.3	449.9	510.9
Total Operating Expenditure	1,623.9	1,814.9	2,013.4	2,275.5
EBITDA	247.4	292.0	335.9	392.2
Growth (%)	15.4	18.0	15.0	16.7
Depreciation	25.6	26.5	29.7	33.2
Interest	4.1	4.5	2.0	2.0
Other Income	12.4	25.2	29.4	33.3
Exceptional Income	129.0	0.0	0.0	0.0
PBT	359.1	286.3	333.6	390.3
Growth (%)	95.3	-20.3	16.5	17.0
Total Tax	95.6	94.0	110.1	129.6
PAT	263.5	192.4	223.5	260.7
Growth (%)	74.9	-27.0	16.2	16.7
EPS (₹)	190.0	138.7	161.1	188.0

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement

₹ crore

(Year-end March)	FY18	FY19A	FY20E	FY21E
PAT	263.5	192.4	223.5	260.7
Add: Depreciation	25.6	26.5	29.7	33.2
(Inc)/dec in Current Assets	-132.6	-84.0	-57.1	-108.7
Inc/(dec) in CL and Provisions	98.0	8.2	22.4	31.3
Others	(129.0)	-	-	-
CF from operating activities	125.5	143.1	218.6	216.5
(Inc)/dec in Investments	60.5	-24.8	-19.2	-21.1
(Inc)/dec in Fixed Assets	-29.7	-38.5	-80.0	-80.0
(Inc)/dec in CWIP	-2.8	-16.3	5.3	3.9
Others	-	-	-	-
CF from investing activities	28.0	-79.6	-93.9	-97.2
Issue/(Buy back) of Equity	-0.1	0.0	2.3	0.0
Inc/(dec) in loan funds	16.0	-74.9	5.7	0.0
Others	-99.1	-43.1	-86.0	-97.6
CF from financing activities	-83.3	-118.0	-78.0	-97.6
Net Cash flow	70.2	-54.5	46.7	21.7
Opening Cash	65.3	135.5	81.0	127.7
Closing Cash	135.5	81.0	127.7	149.4

Source: Company, ICICI Direct Research

Exhibit 14: Balance sheet

₹ crore

(Year-end March)	FY18	FY19A	FY20E	FY21E
Liabilities				
Equity Capital	11.6	11.6	13.9	13.9
Reserve and Surplus	1,008.1	1,154.7	1,292.2	1,455.3
Total Shareholders funds	1,019.7	1,166.3	1,306.1	1,469.2
Total Debt	129.2	54.3	60.0	60.0
Deferred Tax Liability	41.7	44.3	44.3	44.3
Other LT Liabilities	-	-	-	-
Total Liabilities	1,190.52	1,264.9	1,410.4	1,573.5
Assets				
Gross Block (Including Goodwill)	574.6	611.8	691.8	771.8
Less: Accu Depreciation	84.6	109.9	139.6	172.8
Net Block	490.0	502.0	552.2	599.0
Capital WIP	4.3	20.6	15.3	11.4
Total Fixed Assets	494.3	522.6	567.5	610.4
Investments	167.1	191.9	211.1	232.2
Inventory	437.2	471.4	514.9	570.1
Debtors	258.3	305.1	321.8	365.4
Loans and Advances	75.5	76.2	72.8	82.7
Other Current Assets	1.4	3.7	3.8	3.9
Cash	135.5	81.0	127.7	149.4
Total Current Assets	907.9	937.4	1,041.2	1,171.5
Current Liabilities	357.0	365.3	387.4	418.5
Provisions	21.8	21.7	21.9	22.2
Total Current Liabilities	378.8	387.0	409.4	440.7
Net Current Assets	529.1	550.4	631.8	730.9
Others Assets	-	-	-	-
Application of Funds	1,190.52	1,264.9	1,410.4	1,573.5

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios

(Year-end March)	FY18	FY19A	FY20E	FY21E
Per share data (₹)				
EPS	190.0	138.7	161.1	188.0
Cash EPS	208.4	157.8	182.6	211.9
BV	735.2	840.9	941.7	1,059.3
DPS	27.2	30.1	51.6	60.2
Cash Per Share	97.7	58.4	92.1	107.7
Operating Ratios				
EBITDA Margin (%)	13.2	13.9	14.3	14.7
PBT Margin (%)	19.2	13.6	14.2	14.6
PAT Margin (%)	14.1	9.1	9.5	9.8
Inventory days	85.3	81.7	80.0	78.0
Debtor days	50.4	52.9	50.0	50.0
Creditor days	80.4	60.8	60.0	60.0
Return Ratios (%)				
RoE	25.8	16.5	17.1	17.7
RoCE	19.3	21.8	22.4	23.5
RoIC	26.2	28.0	29.8	31.3
Valuation Ratios (x)				
P/E	31.9	43.7	37.6	32.2
EV / EBITDA	33.9	28.7	24.8	21.2
EV / Net Sales	4.5	4.0	3.5	3.1
Market Cap / Sales	4.5	4.0	3.6	3.1
Price to Book Value	8.2	7.2	6.4	5.7
Solvency Ratios (x)				
Debt/EBITDA	0.5	0.2	0.2	0.2
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	2.4	2.4	2.5	2.7
Quick Ratio	1.2	1.2	1.3	1.4

Source: Company, ICICI Direct Research

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