

# TTK Prestige

**BUY**

Sector: Consumer Discretionary /Mid Cap| Earnings Update – 1QFY21

20 August 2020

**Background:** TTKPT broadly operates under 3 major segments - Pressure Cooker & Pans, Non-stick Cookware and Kitchen Electric Appliances. TTKPT enjoys high brand recall and they spend ~7.2% of their annual sales for brand building and promotional activity, which enables them to dominate most of the segments in which they operate. TTKPT has a market share of ~60% in the outer-lid pressure cooker, ~15% in inner-lid pressure cooker within the organized market and in Induction cook-top space they enjoy a market share of about ~25%. 80% of sales are from products introduced in the last 3 years. TTKPT has network of 65,000 outlets (direct touch point: 16,000) in India. They compete with major players like Bajaj Electricals, Hawkins, Preethi, Philips, Sunflame, Faber, Elica etc.

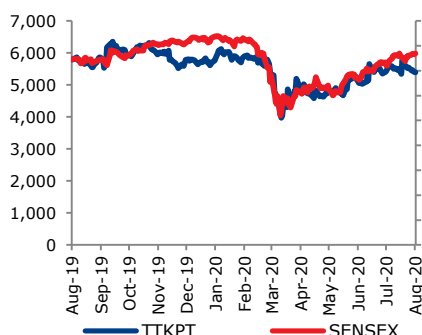
Sensex	38,293
Nifty	11,327
Price	₹ 5,405
Target Price (12 months)	₹ 6,271
Recommendation	BUY

52 Week High/Low	₹ 6,524/3,918
Bloomberg / Reuters	TTKPT IN /TTKL.BO
Equity (shares in mn)	13.9
Mkt. Cap in mn	₹ 75,475/ \$ 1,000
Avg. Daily Vol. ('000)	8
Avg. Daily Vol. (mn)	₹ 46.4 / \$ 0.6

Shareholding	Jun 19	Mar 20	Jun 20
Promoters (%)	30.0	30.0	30.0
FII (%)	10.2	9.9	9.5
DII (%)	8.8	10.5	11.2
Others (%)	10.7	9.3	8.9
Pledge (%) of promoter holding)	0.0	0.0	0.0

Valuation Summary (₹ bn)			
Y/E March	2020	2021E	2022E
Revenue	20.7	22.8	26.2
EBITDA	2.6	2.9	3.2
Adj PAT	2.0	2.1	2.3
Adj EPS (Rs)	145.0	151.3	165.8
% growth	4.5	4.4	9.6
PE	37.3	35.7	32.6
P/ BV	5.8	5.2	4.7
EV/EBITDA	28.3	26.2	22.9
EV/Sales	3.6	3.5	2.9
Div Yield (%)	0.5	0.8	0.9
ROE (%)	16.2	15.3	15.1

Performance(%)	1M	3M	12M
TTK PRESTIGE	-0.8	12.1	-6.9
SENSEX	6.8	23.7	3.1



## Weak quarter: Gradual opening of the economy coupled with rising demand for kitchen products to boost earnings in coming quarters

- 1QFY21 consolidated revenues contracted by 51.0% YoY, to ₹2.2bn while EBITDA margins declined to 2.6%. The PAT for the quarter declined by 94.0% YoY to ₹0.2mn.
- Among categories, cookers segment was impacted most with revenue declining by 59% YoY to ₹580mn. Kitchen appliances, cookware categories fell 45% YoY to ₹1.1bn, ₹350 mn, respectively. On the back of change in product mix, gross margins fell 200 bps YoY to 40.5%.
- On the distribution channel front, the management indicated that ~60% of distribution channels are currently operational as large format stores and mall remained shut. General trade and the company's own retail outlet revenues during 1QFY21 grew in double digits while e-commerce was the best performing channel.
- The revenue share of e-commerce has scaled up from normal range of 10-12% to ~25% during the pandemic. Even during 1QFY21, the company continued to spend on advertising and launched ~38 new SKUs. The advertisement spends for the quarter was ~4% of revenues compared to the normal range of ~6.5%.
- The management is hopeful of 2HFY21 being significantly better than 1HFY21 on the back of higher traction in revenues during the festive season and further opening up of distribution channels such as LFS.
- TTK is currently operating at 80% capacity utilisation. The company continues to be virtually debt free and have substantial free cash worth ~₹3.0bn.

**Valuation:** We expect the rising health awareness among the consumers to drive preference for home cooked food while increasing the demand for kitchen appliances. The company has witnessed strong demand traction post lifting of lockdown in its product categories; with most operational stores reporting double digit growth and rising rising contribution of e-commerce channel. We expect the strong momentum seen in online sales coupled with recovery in rural demand and softening RM prices to drive earnings going forward. We remain optimistic on the long term growth prospects of the company. At current market price the stock is trading at 32.6x its FY22 earnings, we maintain our Buy rating on the stock with a revised target price of 6,271.

**Risks:** Rising commodity prices (aluminum, copper and zinc), Irrational discounting by regional brands can be a major factor to watch.

## Results Summary 1QFY21

Y/E March	1QFY20	4QFY19	YoY Growth	4QFY20	QoQ Growth
Revenue	2266	4612	-50.9%	4182	-45.8%
EBIDTA	60	562	-89.3%	370	-83.8%
Depreciation	90	74	22.1%	112	-19.8%
Interest	10	8	18.8%	23	-57.8%
Other Income	70	64	9.5%	63	10.7%
Tax	9	186	-94.9%	100	-90.6%
PAT	21	358	-94.0%	199	-89.2%
Adjusted PAT*	21	358	-94.0%	199	-89.2%
EBIDTA Margin (%)	2.6%	12.2%		8.8%	
Effective Tax Rate (%)	30.5	34.2		33.4	
Adj PAT Margin (%)	0.9	7.8		4.8	

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