

Robust demand trends to spur revenue growth....

TTK Prestige reported moderate topline growth of 2.9% YoY to ₹ 590.2 crore. The headline number does not reflect the underlying demand scenario. The recovery in demand for kitchen and home appliances has been robust and the company was unable to cope up with demand owing to slow ramp up of its own capacities coupled with supply chain constraints at the vendor's end. Hence, it lost sales of ~ ₹ 70 crore in July. The supply side issues are largely behind. Since August, the company has been on a strong growth path with August and September revenues growing over 20% YoY. Gross margins for the quarter contracted 260 bps YoY to 39.5% owing to higher share of online sales. However, a reduction in overheads (employee and other expenses down 6% and 5%, respectively), led EBITDA margins to decline 50 bps YoY to 14.6% (I-direct estimate: 14.0%). Absolute EBITDA remained constant YoY at ₹ 86.0 crore. On the back of a steady operational performance, PBT remained flattish YoY at ₹ 83.0 crore. However, owing to lower tax rate in the base quarter (25.17% vs. 3.97% in Q2FY20), PAT declined 22.6% YoY to ₹ 62.2 crore. Demand for the festive season appears to be encouraging with TTK reporting strong growth of 15% YoY in October (on a high base).

E-commerce, exports revenues witnessing strong traction...

Stock availability of some key SKUs and supply disruptions of certain components (as vendors had immigrant labour issues) were the major challenges that restricted growth in Q2FY21. Among categories, appliances (51% of sales) and cookware (17% of sales) segments performed better with revenue growth of 7% and 8%, respectively. Also, other categories (4% of sales, which includes cleaning segment) grew robustly by 40% YoY. Sales for pressure cookers (28% of sales) were under pressure as the segment reported revenue de-growth of 9% YoY. The management highlighted that the outlook for cooker and cookware segment looks strong with 20%+ growth clocked in October. Revenues from e-commerce channel grew at the fastest rate with overall share increasing to 25% (from earlier ~12%). Exports (~3% of sales) are witnessing robust traction with revenues doubling in Q2FY21. To meet the demand requirements, TTKP is enhancing its capacity and has outlaid capex worth ₹ 50 crore in FY21E.

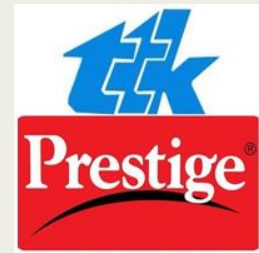
Valuation & Outlook

With supply side issues mostly resolved and encouraging festive trends, we expect revenue trajectory to improve materially in H2FY21E. The company is augmenting its manufacturing capacities with additional lines to cater to the healthy domestic and exports demand (outlaid capex worth ₹ 50 crore in FY21E). We introduce FY23 estimates and build in revenue and earnings CAGR of 9% and 14%, respectively, in FY20-23E, with higher RoIC of ~30% in FY23E. TTKP continues to be virtually debt free and has substantial free cash worth ₹ ~470 crore. We reiterate our **BUY** rating on the stock with a target price of ₹ 6900 (35x FY23E EPS, previous TP: ₹ 6300).

Key Financial Summary

(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	2,106.9	2,073.0	2,029.7	2,352.6	2,654.5	8.6%
EBITDA	292.0	263.5	247.9	330.5	380.8	13.1%
PAT*	192.4	184.5	170.7	234.9	273.7	14.0%
EPS (₹)*	138.7	133.0	123.1	169.4	197.3	
P/E (x)	42.9	44.7	48.3	35.1	30.1	
EV/Sales (x)	3.9	4.0	4.0	3.5	3.0	
EV/EBITDA (x)	28.1	31.1	32.9	24.6	21.2	
RoCE (%)	21.8	17.1	14.1	17.9	18.8	
RoE (%)	16.5	14.1	12.0	14.9	15.6	

Source: Company, ICICI Direct Research.



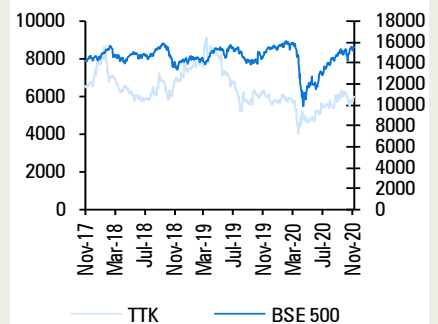
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	8,245.7
Debt (FY20) (₹ Crore)	18.6
Cash (FY20) (₹ Crore)	57.6
EV (₹ Crore)	8,206.8
52 week H/L	7134 / 4756
Equity Capital (₹ Crore)	13.9
Face Value	10

Key Highlights

- Revenue from e-commerce channel grew at fastest rate with overall share increasing to 25% (from earlier 12%).
- Maintain BUY rating on stock

Price Chart



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Exhibit 1: Variance Analysis

	Q2FY21	Q2FY21E	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	Comments
Revenue	590.2	553.7	573.6	2.9	208.5	183.0	Supply side constraints and lockdown during the initial part of the quarter in Western region weighed on the performance
Other Income	7.2	6.1	6.2	15.5	6.6	9.1	
Employee Expenses	39.6	44.3	42.0	-5.6	35.6	11.3	
Raw Material Expenses	356.9	321.1	332.0	7.5	124.0	187.8	Gross margins contracted 200 bps YoY to 40% owing to change in channel mix.
Other Expenses	107.7	110.7	113.1	-4.8	41.1	162.4	Despite continued spends on advertisement (~4% of sales), company significantly reduced other expenses
EBITDA	86.0	77.5	86.5	-0.5	7.9	986.1	Cost rationalisation measures helped TTK to sustain strong margins of 14.6%
EBITDA Margin (%)	14.6	14.0	15.1	-50 bps	3.8	1078 bps	
Depreciation	9.4	8.8	8.4	11.8	8.4	13.1	
Interest	0.7	0.7	0.7	3.1	0.7	0.0	
Extraordinary (expense)/Income	0.0	0.0	0.0	NA	0.0	NA	
PBT	83.1	74.1	83.6	-0.6	5.5	1,418.8	
Tax Outgo	20.9	18.7	3.3	529.8	1.4	1,415.2	
PAT	62.2	55.5	80.3	-22.6	4.1	1,420.0	

Key Metrics

Segment Revenue (₹)							
Cookers	165.1	178.4	182.1	(9.3)	57.9	185.0	
Cookware	102.0	90.0	94.7	7.7	35.3	189.1	
Appliances	298.4	268.0	279.2	6.9	105.6	182.7	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY21E			FY22E			FY23E
	Old	New	% Change	Old	New	% Change	Introduced
Revenue	1,853.3	2,029.7	9.5	2,308.6	2,352.6	1.9	2,654.5
EBITDA	217.2	247.9	14.1	330.9	330.5	-0.1	380.8
EBITDA Margin (%)	11.7	12.2	49 bps	14.3	14.0	-28 bps	14.3
PAT	146.9	170.7	16.2	235.7	234.9	-0.3	273.7
EPS (₹)	105.9	123.1	16.2	170.0	169.4	-0.4	197.3

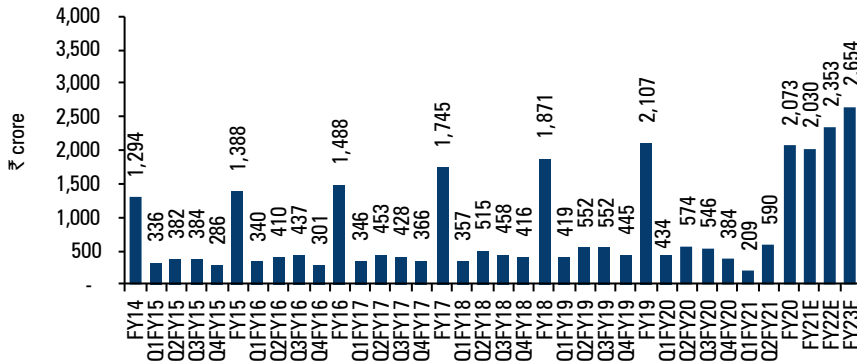
Source: Company, ICICI Direct Research

Key conference call takeaways

- The company indicated that the outlook for its cooker and cookware is strong and both are growing in excess of 20% in August, September and October 2020
- Q2FY21 revenues were negatively impacted owing to vendor supply chain issues as vendors were unable to ramp up due to lack of worker availability, which led to the company being unable to meet the elevated demand for its product categories
- Revenue in July was lower YoY owing to high base as the company had a sales promotion scheme in July 2019. In FY21, TTKP shifted the sales promotion scheme to August
- E-commerce share of revenues for TTK was at 25% and has been the fastest growing channel. The management indicated that consumer's behaviour gravitated in favour of online buying. It expects the same trend to continue, going ahead
- Large format channels have taken more time to open up. However, by the end of the quarter, most of them have become active
- The management highlighted that it has been able to maintain its market share in cooker (30%) and cookware (35%) segment
- On the regional revenue performance, non-south region grew faster than south region while Tier I locations grew faster than metro cities.
- Revenues were negatively impacted in Q2FY21 as sales through micro finance institutions (MFI) were negligible. The management expect normalisation of the MFI channel from Q3FY21 onwards
- The company has taken a price hike of 4-6% in the home appliances category
- The company made significant additions to dealer points in major geographies towards the end of the quarter and introduced 62 new SKUs during the quarter including a new category of casseroles
- Prestige Lifestyle Stores - a new retail format – currently has three stores contributing good branding and visibility to the company's high-end products

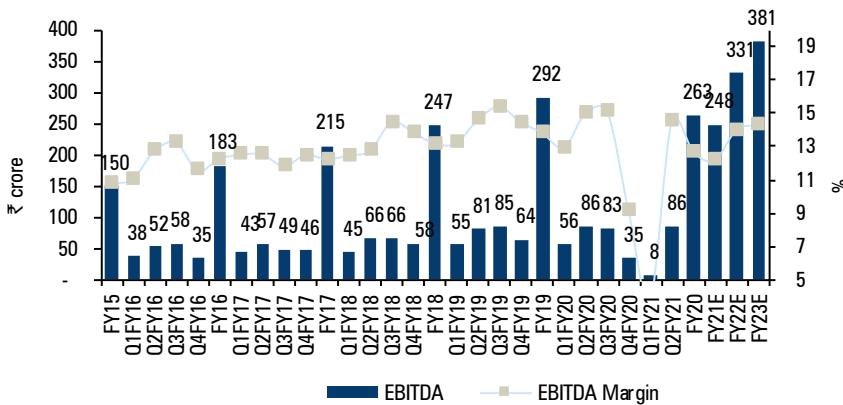
Financial story in charts

Exhibit 3: Revenue trend



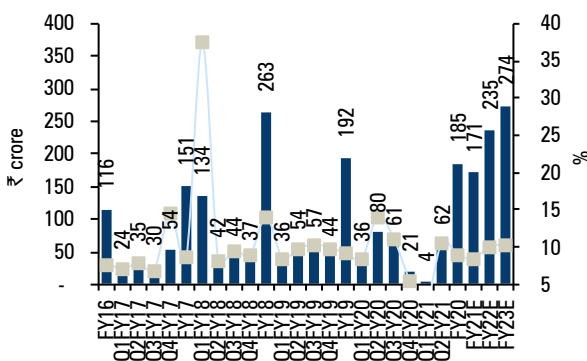
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margin trend



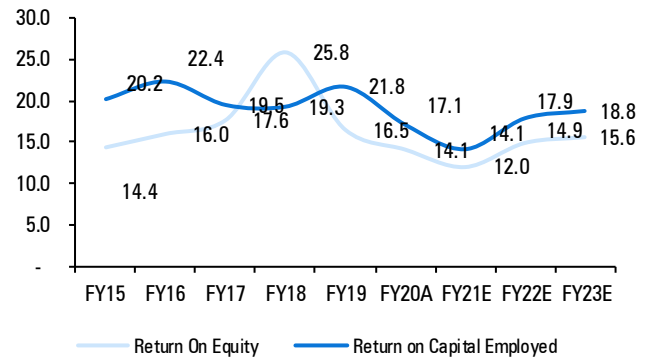
Source: Company, ICICI Direct Research

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 (%)
FY20	2,073.0	(1.6)	133.0	-4.1	44.7	31.1	14.1	17.1
FY21E	2,029.7	-2.1	123.1	-7.5	48.3	32.9	12.0	14.1
FY22E	2,352.6	15.9	169.4	37.6	35.1	24.6	14.9	17.9
FY23E	2,654.5	12.8	197.3	16.5	30.1	21.2	15.6	18.8

Source: Company, ICICI Direct Research

Financial summary

Exhibit 8: Profit and loss statement		₹ crore			
(Year-end March)	FY20A	FY21E	FY22E	FY23E	
Total operating Income	2,073.0	2,029.7	2,352.6	2,654.5	
Growth (%)	-1.6	-2.1	15.9	12.8	
Raw Material Expenses	1,204.6	1,189.1	1,351.6	1,519.8	
Employee Expenses	189.3	194.8	214.1	236.2	
Manufacturing & other exp	415.6	397.8	456.4	517.6	
Total Operating Expenditure	1,809.5	1,781.8	2,022.0	2,273.6	
EBITDA	263.5	247.9	330.5	380.8	
Growth (%)	-9.8	-5.9	33.3	15.2	
Depreciation	36.6	39.1	41.5	43.9	
Interest	5.5	6.0	5.6	5.6	
Other Income	24.7	25.4	30.6	34.5	
Exceptional Income	-11.7	0.0	0.0	0.0	
PBT	234.4	228.2	314.0	365.9	
Growth (%)	-18.1	-2.7	37.6	16.5	
Total Tax	49.9	57.5	79.1	92.2	
PAT	184.5	170.7	234.9	273.7	
Growth (%)	-4.1	-7.5	37.6	16.5	
EPS (₹)	133.0	123.1	169.4	197.3	

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement		₹ crore			
(Year-end March)	FY20A	FY21E	FY22E	FY23E	
PAT	184.5	170.7	234.9	273.7	
Add: Depreciation	36.6	39.1	41.5	43.9	
(Inc)/dec in Current Assets	21.6	-21.7	-110.0	-109.1	
Inc/(dec) in CL and Provisions	24.3	-6.7	28.0	28.9	
Others	-	-	-	-	
CF from operating activities	267.0	181.4	194.4	237.4	
(Inc)/dec in Investments	-139.1	-33.1	-36.4	-40.1	
(Inc)/dec in Fixed Assets	-75.9	-50.0	-45.0	-45.0	
(Inc)/dec in CWIP	14.9	0.7	0.0	0.0	
Others	(31.2)	-	-	-	
CF from investing activities	-231.3	-82.4	-81.4	-85.1	
Issue/(Buy back) of Equity	2.3	0.0	0.0	0.0	
Inc/(dec) in loan funds	-35.7	41.4	-20.0	0.0	
Others	-25.9	-55.5	-82.2	-95.8	
CF from financing activities	-59.2	-14.1	-102.2	-95.8	
Net Cash flow	-23.5	85.0	10.8	56.6	
Opening Cash	81.0	57.6	142.5	153.3	
Closing Cash	57.6	142.5	153.3	209.9	

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet		₹ crore			
(Year-end March)	FY20A	FY21E	FY22E	FY23E	
Liabilities					
Equity Capital	13.9	13.9	13.9	13.9	
Reserve and Surplus	1,294.8	1,410.0	1,562.7	1,740.6	
Total Shareholders funds	1,308.7	1,423.9	1,576.6	1,754.4	
Total Debt	18.6	60.0	40.0	40.0	
Deferred Tax Liability	32.9	32.9	32.9	32.9	
Other LT Liabilities	30.0	30.0	30.0	30.0	
Total Liabilities	1,390.2	1,546.8	1,679.5	1,857.4	
Assets					
Gross Block (Including Goodwill)	687.7	737.7	782.7	827.7	
Less: Accu Depreciation	146.4	185.5	227.0	270.9	
Net Block	541.3	552.2	555.7	556.8	
Capital WIP	5.7	5.0	5.0	5.0	
Total Fixed Assets	547.0	557.2	560.7	561.8	
Investments	331.0	364.1	400.5	440.6	
Inventory	470.6	489.3	535.0	581.8	
Debtors	278.1	300.3	354.5	407.3	
Loans and Advances	82.2	62.9	72.9	82.3	
Other Current Assets	3.7	3.8	3.9	4.0	
Cash	57.6	142.5	153.3	209.9	
Total Current Assets	892.3	998.9	1,119.6	1,285.2	
Current Liabilities	388.2	381.3	409.0	437.7	
Provisions	23.0	23.3	23.5	23.7	
Total Current Liabilities	411.3	404.6	432.5	461.4	
Net Current Assets	481.0	594.3	687.1	823.8	
Others Assets	31.2	31.2	31.2	31.2	
Application of Funds	1,390.2	1,546.8	1,679.5	1,857.4	

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios					
(Year-end March)	FY20A	FY21E	FY22E	FY23E	
Per share data (₹)					
EPS	133.0	123.1	169.4	197.3	
Cash EPS	159.4	151.2	199.3	228.9	
BV	943.5	1,026.6	1,136.7	1,264.9	
DPS	36.1	40.0	59.3	69.1	
Cash Per Share	41.5	102.8	110.5	151.3	
Operating Ratios					
EBITDA Margin (%)	12.7	12.2	14.0	14.3	
PBT Margin (%)	11.3	11.2	13.3	13.8	
PAT Margin (%)	8.9	8.4	10.0	10.3	
Inventory days	82.9	88.0	83.0	80.0	
Debtor days	49.0	54.0	55.0	56.0	
Creditor days	59.9	58.0	58.0	58.0	
Return Ratios (%)					
RoE	14.1	12.0	14.9	15.6	
RoCE	17.1	14.1	17.9	18.8	
RoIC	24.2	21.4	27.2	29.5	
Valuation Ratios (x)					
P/E	44.7	48.3	35.1	30.1	
EV / EBITDA	31.1	32.9	24.6	21.2	
EV / Net Sales	4.0	4.0	3.5	3.0	
Market Cap / Sales	4.0	4.1	3.5	3.1	
Price to Book Value	6.3	5.8	5.2	4.7	
Solvency Ratios (x)					
Debt/EBITDA	0.1	0.2	0.1	0.1	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	2.2	2.5	2.6	2.8	
Quick Ratio	1.0	1.3	1.4	1.5	

Source: Company, ICICI Direct Research

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