TTK Prestige (TTKPRE)

ICICI direct Research

CMP: ₹ 6930 | Target: ₹ 8030 (16%) | Target Period: 12 months | BUY

February 11, 2021

Well placed to capitalise on strong demand…

TTK Prestige reported strong topline growth of 24.4% YoY to ₹ 679.4 crore. The management indicated that it lost ~₹ 20-30 crore on account of non availability of certain SKUs for which the management is shifting the sourcing from China to domestic vendors. Domestic kitchen and home appliance demand was strong as people were working from home most of the time and also due to accentuated preference for home cooked food. Growth was broad based with cooker (30% of sales), cookware (15% of sales) and appliances (51% of sales) categories registering strong revenue growth of 29%, 34% and 19% YoY, respectively. Gross margins largely remained flattish YoY at 41.5% (I-direct estimate: 42.0%) on the back of ~9% price hike on certain categories during the quarter. However, owing to positive operating leverage, TTK reported one of its all-time high EBTDA margins of 17.4% (up 220 bps YoY). Absolute EBITDA grew 42% YoY to ₹ 118.2 crore (I-direct estimate: ₹ 96.2 crore). On the back of healthy operational performance, ensuing PAT increased 42% YoY to ₹ 86.5 crore (I-direct estimate: ₹ 70 crore).

Festive demand, easing of supply chain issues aid growth…

Business momentum in kitchen appliances segment was robust on the back of strong festive demand and opening up of distribution channels that were restricted in the preceding quarters due to the pandemic. The management highlighted that all channels contributed to the growth and direct rural channel, which opened up towards the end of the quarter achieved double digit growth. Distribution through micro finance institutions, which was severely impacted owing to regulatory restrictions, has recovered to ~70% of pre-Covid levels. The management highlighted that the revenue growth outlook looks strong with 20%+ growth clocked by the company in January 2021. Revenues from e-commerce channel grew at a fast rate with overall share at 16%. Exports (~3% of sales) is witnessing robust traction with revenues increasing ~50% in Q3FY21. To meet the demand requirements, TTKP is enhancing its capacity and has outlaid capex worth ₹ 50 crore in FY21E. The same is progressing as per schedule.

Valuation & Outlook

With supply side issues mostly resolved and opening up of all distribution channels, we expect revenue growth trajectory momentum to sustain. Increased work from home trend and accentuated preference for home cooked food would act as a catalyst to spur revenue growth. Factoring in the strong performance in Q3FY21, we increase our earnings estimates for FY22E, FY23E by 8% and 7%, respectively, and build in revenue and earnings CAGR of 9% and 17%, respectively, in FY20-23E, with higher RoIC of ~31% in FY23E. TTKP continues to be virtually debt free and has substantial free cash worth ~₹ 525 crore. We reiterate our **BUY** rating on the stock with a target price of ₹ 8030 (38x FY23E EPS, previous TP: ₹ 7100).

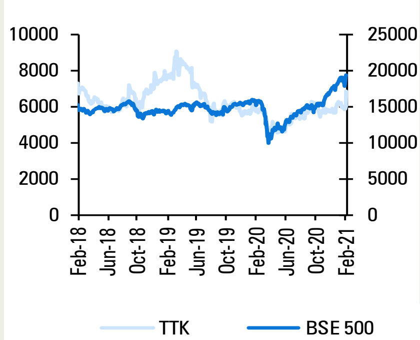
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	9,611.9
Debt (FY20) (₹ Crore)	18.6
Cash (FY20) (₹ Crore)	57.6
EV (₹ Crore)	9,573.0
52 week H/L	7134 / 4756
Equity Capital (₹ Crore)	13.9
Face Value	10

Key risks

- Re-imposition of lockdown restrictions leading to store closures or restriction on movement of people negatively impacting store footfalls
- Any adverse movement in RM prices could negatively impact the margins

Price Performance



Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Cheragh Sidhwa
cheragh.sidhwa@icicisecurities.com

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Key Financial Summary

(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	2,106.9	2,073.0	2,080.0	2,410.3	2,717.5	9.4%
EBITDA	292.0	263.5	271.2	356.0	403.9	15.3%
PAT	192.4	184.5	188.6	254.5	291.6	16.5%
EPS (₹)	138.7	133.0	136.0	183.5	210.2	
P/E (x)	50.0	52.1	51.0	37.8	33.0	
EV/Sales (x)	4.5	4.6	4.6	3.9	3.5	
EV/EBITDA (x)	32.8	36.3	35.1	26.7	23.3	
RoCE (%)	21.8	17.1	15.5	19.1	19.6	
RoE (%)	16.5	14.1	13.1	15.8	16.2	

Source: Company, ICICI Direct Research.

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	Comments
Revenue	679.4	612.8	546.1	24.4	590.2	15.1	Strong revenue growth owing to excellent festive sales and opening up of all distribution channels
Other Income	8.4	7.2	5.7	47.9	7.2	17.6	
Employee Expenses	44.2	44.7	41.8	5.7	39.6	11.5	
Raw Material Expenses	397.5	355.4	317.9	25.0	356.9	11.4	Gross margins largely remained flattish
Other Expenses	119.6	116.4	103.4	15.6	107.7	11.0	
EBITDA	118.2	96.2	83.0	42.4	86.0	37.4	Operating leverage led to improvement in Ebitda margin
EBITDA Margin (%)	17.4	15.7	15.2	219 bps	14.6	282 bps	
Depreciation	10.0	9.7	9.0	11.8	9.4	6.0	
Interest	1.0	0.7	0.7	35.6	0.7	47.8	
Extraordinary (expense)/Income	0.0	0.0	0.0	NA	0.0	NA	
PBT	115.6	93.0	79.1	46.3	83.1	39.2	
Tax Outgo	29.1	23.4	18.1	60.5	20.9	39.2	
PAT	86.5	69.6	60.9	42.1	62.2	39.2	
Key Metrics							
Segment Revenue (₹)							
Cookers	204.3	170.6	158.0	29.3	165.1	23.8	
Cookware	104.7	88.1	78.0	34.2	102.0	2.7	
Appliances	343.3	325.4	288.0	19.2	298.4	15.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

		FY21E			FY22E			FY23E	
(₹ Crore)	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	2,029.7	2,080.0	2.5	2,352.6	2,410.3	2.5	2,654.5	2,717.5	2.4
EBITDA	247.9	271.2	9.4	330.5	356.0	7.7	380.8	403.9	6.1
EBITDA Margin (%)	12.2	13.0	82 bps	14.0	14.8	72 bps	14.3	14.9	52 bps
PAT	170.7	188.6	10.5	234.9	254.5	8.3	273.7	291.6	6.5
EPS (₹)	123.1	136.0	10.4	169.4	183.5	8.3	197.3	210.2	6.5

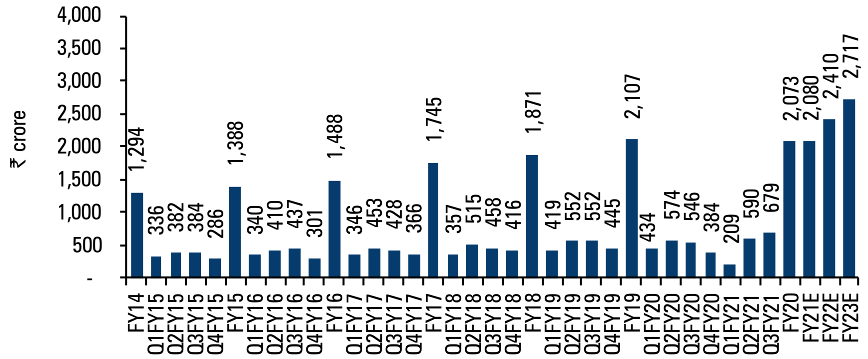
Source: Company, ICICI Direct Research

Key conference call takeaways

- The company reported all-time high quarterly sales and net profit during Q3FY21. Revenue growth of 24% in Q3FY21 is one of the highest in the last three years for any quarter. The management indicated that the demand outlook remains strong with the company registering growth of over 20% in January 2021
- The growth was broad based and all channels and categories achieved double digit growth during the quarter
- Export business grew ~ 50% in Q3FY21 in spite of logistics issues related to unavailability of containers
- Share of revenues from e-commerce were at 16% in Q3FY21. The company expects strong growth momentum in e-commerce channel revenues to sustain, going ahead
- The company continues to focus on innovation and new SKU launches to capture higher market share
- TTK introduced 25 new SKUs during the quarter including a new category of casseroles. Among the new products launched the company expects stainless steel cookware to generate annual revenues to the tune of ₹ 300 crore while casseroles are expected to generate ~ ₹ 30-40 crore annually
- The management indicated that it took a hike of 9% across categories in two tranches. The price hike for cooker/cookware was ~ 5% while for electric appliances and gas stoves the price hike was ~20%. The company has gradually been able to pass on the input cost inflation, which has enabled it to maintain gross margins
- Prestige Xclusive chain strength was at 611 in 352 towns contributing significantly to total sales
- Trade collections continued to be robust, which helped the receivables to reduce sharply
- The indigenisation of small appliances, which were earlier imported from China, is in progress. However, their absence curtailed the revenue growth during the quarter

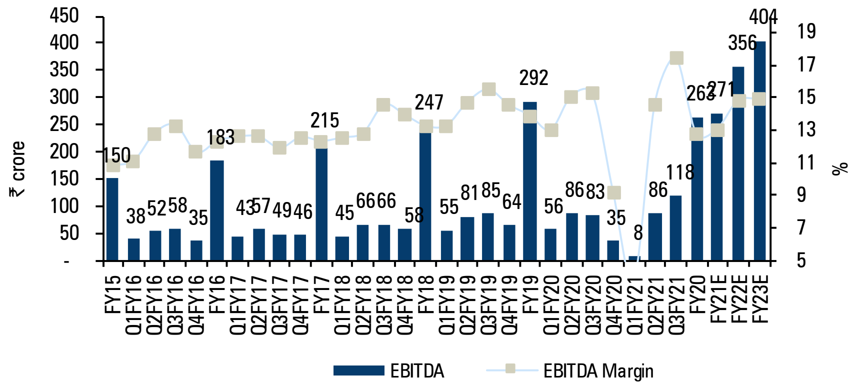
Financial story in charts

Exhibit 3: Revenue trend



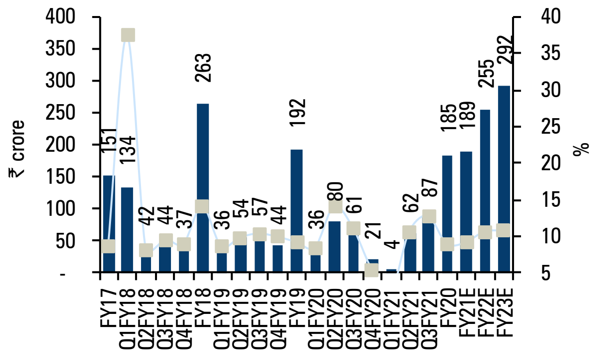
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margin trend



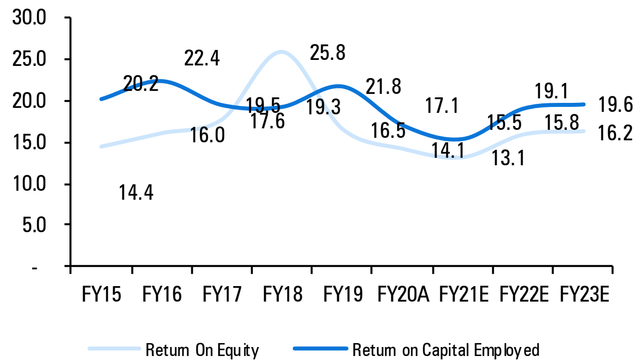
Source: Company, ICICI Direct Research

Exhibit 5: Net profit trend



Source: Company, ICICI Direct Research

Exhibit 6: Return ratio trend



Source: Company, ICICI Direct Research

Exhibit 7: Valuation

	Sales	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY20	2,073.0	(1.6)	133.0	-4.1	52.0	36.3	14.1	17.1
FY21E	2,080.0	0.3	136.0	2.2	50.9	35.1	13.1	15.5
FY22E	2,410.3	15.9	183.5	35.0	37.7	26.6	15.8	19.1
FY23E	2,717.5	12.7	210.2	14.6	32.9	23.3	16.2	19.6

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**	**2,080.0**	**2,410.3**	**2,717.5**
Growth (%)	-1.6	0.3	15.9	12.7
Raw Material Expenses	1,204.6	1,216.0	1,369.8	1,541.8
Employee Expenses	189.3	185.1	216.9	241.9
Manufacturing & other exp	415.6	407.7	467.6	529.9
Total Operating Expenditure	1,809.5	1,808.8	2,054.3	2,313.5
EBITDA	**263.5**	**271.2**	**356.0**	**403.9**
Growth (%)	-9.8	2.9	31.3	13.5
Depreciation	36.6	39.1	41.5	43.9
Interest	5.5	6.0	5.6	5.6
Other Income	24.7	26.0	31.3	35.3
Exceptional Income	-11.7	0.0	0.0	0.0
PBT	234.4	252.1	340.3	389.8
Growth (%)	-18.1	7.6	35.0	14.6
Total Tax	49.9	63.5	85.7	98.2
PAT	**184.5**	**188.6**	**254.5**	**291.6**
Growth (%)	-4.1	2.2	35.0	14.6
EPS (₹)	**133.0**	**136.0**	**183.5**	**210.2**

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement ₹ crore

(Year-end March)	FY20A	FY21E	FY22E	FY23E
PAT	184.5	188.6	254.5	291.6
Add: Depreciation	36.6	39.1	41.5	43.9
(Inc)/dec in Current Assets	21.6	-42.8	-112.4	-110.9
Inc/(dec) in CL and Provisions	24.3	-2.4	26.6	29.5
Others	-	-	-	-
CF from operating activities	**267.0**	**182.4**	**210.2**	**254.1**
(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	-89.1	-102.0
CF from financing activities	**-59.2**	**-14.1**	**-109.1**	**-102.0**
Net Cash flow	-23.5	86.0	19.7	67.0
Opening Cash	81.0	57.6	143.5	163.2
Closing Cash	**57.6**	**143.5**	**163.2**	**230.2**

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	1,427.9	1,593.3	1,782.8
Total Shareholders funds	1,308.7	1,441.8	1,607.2	1,796.7
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**	**1,564.7**	**1,710.1**	**1,899.6**
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	501.5	548.1	595.6
Debtors	278.1	307.7	363.2	416.9
Loans and Advances	82.2	64.5	74.7	84.2
Other Current Assets	3.7	3.8	3.9	4.0
Cash	57.6	143.5	163.2	230.2
Total Current Assets	892.3	1,021.1	1,153.2	1,331.0
Current Liabilities	388.2	385.6	411.9	441.2
Provisions	23.0	23.3	23.5	23.7
Total Current Liabilities	411.3	408.8	435.4	464.9
Net Current Assets	481.0	612.2	717.7	866.1
Others Assets	31.2	31.2	31.2	31.2
Application of Funds	**1,390.2**	**1,564.7**	**1,710.1**	**1,899.6**

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	133.0	136.0	183.5	210.2
Cash EPS	159.4	164.1	213.4	241.8
BV	943.5	1,039.5	1,158.8	1,295.4
DPS	36.1	40.0	64.2	73.6
Cash Per Share	41.5	103.5	117.7	166.0
Operating Ratios				
EBITDA Margin (%)	12.7	13.0	14.8	14.9
PBT Margin (%)	11.3	12.1	14.1	14.3
PAT Margin (%)	8.9	9.1	10.6	10.7
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	13.1	15.8	16.2
RoCE	17.1	15.5	19.1	19.6
RoIC	24.2	23.3	29.0	30.9
Valuation Ratios (x)				
P/E	52.0	50.9	37.7	32.9
EV / EBITDA	36.3	35.1	26.6	23.3
EV / Net Sales	4.6	4.6	3.9	3.5
Market Cap / Sales	4.6	4.6	4.0	3.5
Price to Book Value	7.3	6.7	6.0	5.3
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	2.9
Quick Ratio	1.0	1.3	1.4	1.6

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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