

Gearing up to garner strong revenue growth....

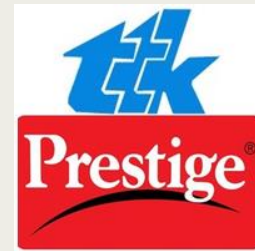
With renewed interest in cookware & kitchen appliances demand, TTK continued to report a solid operational performance in Q4FY21 with strong beat across all parameters. Revenue for the quarter grew 44.7% YoY (two-year CAGR: 6.4%) to ₹ 554.9 crore (I-direct estimate: ₹ 518.2 crore), partly attributable to favourable base (revenue fell 21%). Domestic sales grew 41.5% YoY to ₹ 533 crore whereas exports sharply increased 218% YoY to ₹ 21.9 crore. On segmental front, cooker (31% of sales), cookware (16% of sales), appliances (48% of sales) categories posted strong revenue growth of 49%, 67%, 34% YoY, respectively. Despite rise in RM prices, gross margins improved 210 bps YoY (410 bps QoQ) to 45.6%, largely due to price hikes and better channel mix (offline channels performed better than online). Owing to positive operating leverage (employee, other expenses as percentage of sales down 245 bps, 480 bps YoY, respectively) TTK reported one of its all-time high EBTDA margins of 18.5% (up 930 bps YoY, 110 bps QoQ). On the back of a healthy operational performance, exceptional gain of ₹ 11.9 crore (reversal of provision for export obligation made in previous years), ensuing PAT came in at ₹ 82.4 crore vs. ₹ 20.9 crore in Q4FY20.

Capacity expansion, new products to propel revenue growth

Despite a challenging start to the financial year (Q1 revenue down 51% YoY), TTK staged an impressive recovery by exiting FY21 with revenue growth of 5% YoY. Supply chain issues faced in H1FY21 largely stabilised in H2FY21. E-commerce was the key segment to drive sales growth for the year (~20% of revenues) but momentum in other channels (MBOs, LFS, Prestige Xclusive) also picked up pace in Q4FY21. Among categories, on the back of new launches, cookware segment outperformed (16% of revenues) with healthy sales growth of 16% YoY in FY21. The cookware division posted its highest ever volume during the year driven by domestic, export demand. To meet demand requirements, TTK has nearly doubled capacity for the cookware division and the new plant is expected to be commissioned in the next three months. Citing healthy demand prospects, the management highlighted that its appliance vendors to have doubled capacity.

Valuation & Outlook

TTK in FY21 has aggressively expanded its distribution network by adding new outlets (especially in non-metro cities). It is further looking to enhance its distribution reach in tier-II, III cities to capture long term growth opportunities. The company has a healthy pipeline of ~120 SKUs to be launched in FY22E that would propel growth, going forward. Notwithstanding near term challenges, we expect TTK to bounce back rapidly as and when the impact of the pandemic is phased out. TTK, during FY21, has maintained its balance sheet strength with strong cash reserves (₹ 540+ crore), controlled working capital cycle days (~59 days) and healthy RoIC of ~30%. We expect TTK to sustain its revenue growth trajectory and build in revenue and earnings CAGR of 15%, 14%, respectively in FY21-23E. We reiterate our **BUY** rating on the stock with a target price of ₹ 9760 (43x FY23E EPS, earlier TP: ₹ 8030).



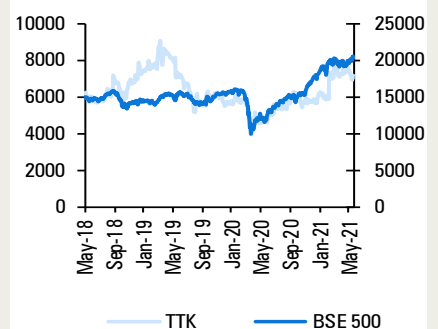
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	11,636.9
Debt (FY21) (₹ Crore)	40.4
Cash (FY21) (₹ Crore)	161.2
EV (₹ Crore)	11,516.1
52 week H/L	8667 / 4610
Equity Capital (₹ Crore)	13.9
Face Value	10

Key risks

- Extension 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 margins

Price Performance



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Key Financial Summary

(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY21-23E)
Net Sales	2,106.9	2,073.0	2,186.9	2,542.5	2,916.5	15.5%
EBITDA	292.0	263.5	327.3	363.9	435.0	15.3%
PAT	192.4	184.5	242.9	259.2	314.7	13.8%
EPS (₹)	138.7	133.0	175.1	186.9	226.9	
P/E (x)	60.5	63.1	47.9	44.9	37.0	
EV/Sales (x)	5.5	5.6	5.3	4.5	3.9	
EV/EBITDA (x)	39.8	44.0	35.2	31.6	26.3	
RoCE (%)	21.8	17.1	18.6	18.6	20.3	
RoE (%)	16.5	14.1	16.1	15.5	16.8	

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Revenue	554.9	518.2	383.5	44.7	679.4	-18.3	Domestic revenue grew 41%, while exports grew 218% YoY
Other Income	5.4	8.5	6.3	-15.3	8.4	-36.4	
Employee Expenses	47.6	45.6	42.3	12.5	44.2	7.7	
Raw Material Expenses	301.8	293.3	216.5	39.4	397.5	-24.1	Gross margins improved owing to price hikes and better product/channel mix
Other Expenses	103.1	103.6	89.6	15.0	119.6	-13.8	
EBITDA	102.5	75.7	35.2	191.6	118.2	-13.3	
EBITDA Margin (%)	18.5	14.6	9.2	931 bps	17.4	107 bps	Operating leverage led the company to report its highest ever EBITDA margin
Depreciation	10.1	10.3	10.2	-0.4	10.0	1.1	
Interest	0.7	1.0	1.0	-22.1	1.0	-25.3	
Extraordinary (expense)/Income	11.9	0.0	0.0	NA	0.0	NA	Income pertains to reversal of provision for export obligation made in previous years
PBT	108.9	72.8	30.4	258.5	115.6	-5.8	
Tax Outgo	26.5	18.3	9.5	179.1	29.1	-8.8	
PAT	82.4	54.5	20.9	294.8	86.5	-4.8	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY21A	FY22E			FY23E		
	Actual	Old	New	% Change	Old	New	% Change
Revenue	2,186.9	2,410.3	2,542.5	5.5	2,717.5	2,916.5	7.3
EBITDA	327.3	356.0	363.9	2.2	403.9	435.0	7.7
EBITDA Margin (%)	15.0	14.8	14.3	-46 bps	14.9	14.9	5 bps
PAT	242.9	254.5	259.2	1.9	291.6	314.7	7.9
EPS (₹)	175.1	183.5	186.9	1.9	210.2	226.9	7.9

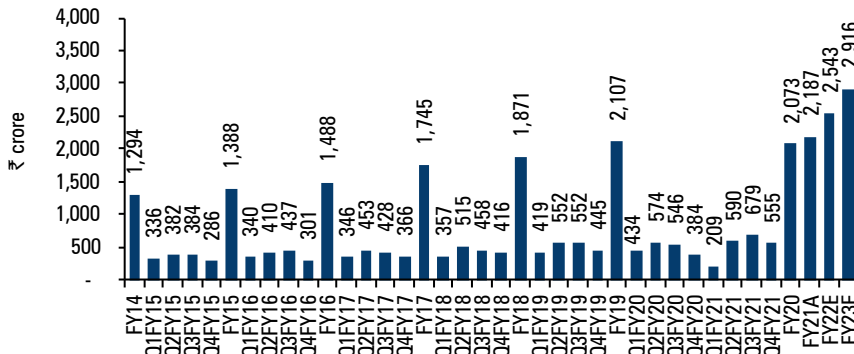
Source: Company, ICICI Direct Research

Key conference call takeaways

- On the product front, the company's 'swach' platform for cooker has received a good response from customers due to absence of similar product in the market. Also, TTK has expanded its cookware portfolio by entering product categories they were not present earlier. The company expects the demand for its products to remain robust and is targeting a mid-teen growth in annual revenues over the next few years
- Gross margin expansion has been due to factors such as availability of old inventory with the company, better product and channel mix and price hikes across product categories
- On the pricing front the company has taken 17-19% hike in electrical appliances and 13% price hike in gas stoves while the price hike in cooker and cookware is around 5%. In Q1FY22, the company has not taken any price hike till now
- The management indicated that unbranded players in the segment have had to take higher price hikes than branded players. Hence, the price differential between branded and unbranded players in the segment has declined
- The management guided that the capex for FY22 would be ~₹ 50 crore and the same maybe reviewed depending on the business environment
- Home cleaning business contributed ₹ 50 crore of total revenue in FY21 (up 47% YoY). Electronic vacuum cleaners performed well but the water purifier business was impacted due to supply chain issues. The management expects increased contribution from home cleaning solutions, going ahead
- The factories at Karjan and Roorkee continue to function normally following local Covid-19 protocols while the factories in Hosur and Coimbatore had to be closed from the second week of May 2021 due to the lockdown announced by the local government
- From the experience of the previous lockdown, the company has adequately geared up to ensure that lockdowns do not severely affect operations that are possible during the current period as well as post lockdown period
- During the year, the company introduced around 127 new SKUs covering pressure cookers, induction cook tops, mixer grinders, rice cookers, gas stoves and other small electric/non-electric appliances and cleaning solutions. TTK also entered the casserole segment during the year
- Prestige Xclusive chain strength was at 620 in 363 towns contributing significantly to total sales

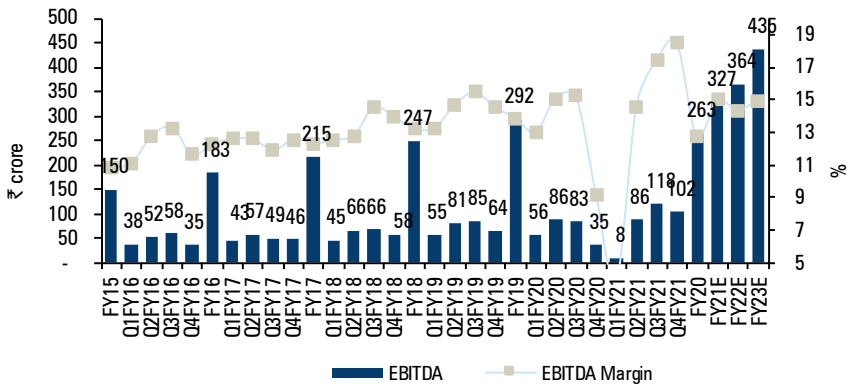
Financial story in charts

Exhibit 3: Revenue trend



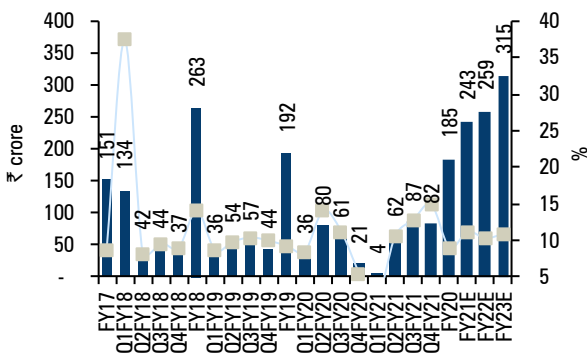
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margin trend



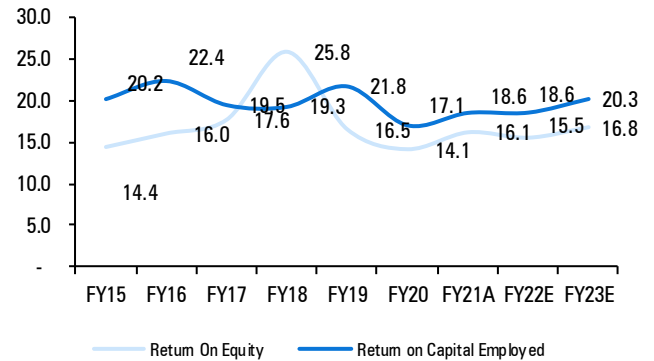
Source: Company, ICICI Direct Research

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	63.1	44.0	14.1	17.1
FY21A	2,186.9	5.5	175.1	31.6	47.9	35.2	16.1	18.6
FY22E	2,542.5	16.3	186.9	6.7	44.9	31.6	15.5	18.6
FY23E	2,916.5	14.7	226.9	21.4	37.0	26.3	16.8	20.3

Source: Company, ICICI Direct Research

Financial summary

Exhibit 8: Profit and loss statement		₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E	
Total operating Income	2,073.0	2,186.9	2,542.5	2,916.5	
Growth (%)	-1.6	5.5	16.3	14.7	
Raw Material Expenses	1,204.6	1,268.9	1,469.2	1,653.2	
Employee Expenses	189.3	191.2	223.7	259.6	
Manufacturing & other exp	415.6	399.6	485.6	568.7	
Total Operating Expenditure	1,809.5	1,859.7	2,178.6	2,481.5	
EBITDA	263.5	327.3	363.9	435.0	
Growth (%)	-9.8	24.2	11.2	19.5	
Depreciation	36.6	40.0	44.8	46.5	
Interest	5.5	5.1	5.6	5.6	
Other Income	24.7	28.7	33.1	37.9	
Exceptional Income	-11.7	11.9	0.0	0.0	
PBT	234.4	322.9	346.6	420.7	
Growth (%)	-18.1	37.7	7.3	21.4	
Total Tax	49.9	80.0	87.3	106.0	
PAT	184.5	242.9	259.2	314.7	
Growth (%)	-4.1	31.6	6.7	21.4	
EPS (₹)	133.0	175.1	186.9	226.9	

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement		₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E	
PAT	184.5	242.9	259.2	314.7	
Add: Depreciation	36.6	40.0	44.8	46.5	
(Inc)/dec in Current Assets	21.6	-31.5	-128.3	-139.3	
Inc/(dec) in CL and Provisions	24.3	3.7	37.9	34.7	
Others	-	-	-	-	
CF from operating activities	267.0	255.1	213.6	256.7	
(Inc)/dec in Investments	-139.1	-89.4	-42.0	-46.2	
(Inc)/dec in Fixed Assets	-75.9	-28.3	-70.0	-45.0	
(Inc)/dec in CWIP	14.9	-12.3	0.0	0.0	
Others	(31.2)	(11.8)	-	-	
CF from investing activities	-231.3	-141.8	-112.0	-91.2	
Issue/(Buy back) of Equity	2.3	0.0	0.0	0.0	
Inc/(dec) in loan funds	-35.7	21.8	-0.4	0.0	
Others	-25.9	-31.4	-90.7	-110.2	
CF from financing activities	-59.2	-9.7	-91.1	-110.2	
Net Cash flow	-23.5	103.7	10.4	55.3	
Opening Cash	81.0	57.6	161.2	171.7	
Closing Cash	57.6	161.2	171.7	226.9	

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet		₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E	
Liabilities					
Equity Capital	13.9	13.9	13.9	13.9	
Reserve and Surplus	1,294.8	1,491.2	1,659.7	1,864.3	
Total Shareholders funds	1,308.7	1,505.1	1,673.6	1,878.1	
Total Debt	18.6	40.4	40.0	40.0	
Deferred Tax Liability	32.9	34.9	34.9	34.9	
Other LT Liabilities	30.0	43.2	43.2	43.2	
Total Liabilities	1,390.2	1,623.4	1,791.6	1,996.1	
Assets					
Gross Block (Including Goodwill)	687.7	716.1	786.1	831.1	
Less: Accu Depreciation	146.4	186.4	231.2	277.7	
Net Block	541.3	529.7	554.8	553.3	
Capital WIP	5.7	18.0	18.0	18.0	
Total Fixed Assets	547.0	547.7	572.9	571.3	
Investments	331.0	420.4	462.5	508.7	
Inventory	470.6	447.9	515.5	599.3	
Debtors	278.1	290.9	348.3	399.5	
Loans and Advances	82.2	123.9	127.1	131.2	
Other Current Assets	3.7	3.5	3.6	3.7	
Cash	57.6	161.2	171.7	226.9	
Total Current Assets	892.3	1,027.4	1,166.2	1,360.7	
Current Liabilities	388.2	405.7	443.5	478.0	
Provisions	23.0	9.3	9.4	9.5	
Total Current Liabilities	411.3	415.0	452.8	487.5	
Net Current Assets	481.0	612.4	713.3	873.2	
Others Assets	31.2	42.9	42.9	42.9	
Application of Funds	1,390.2	1,623.4	1,791.6	1,996.1	

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios					
(Year-end March)	FY20	FY21A	FY22E	FY23E	
Per share data (₹)					
EPS	133.0	175.1	186.9	226.9	
Cash EPS	159.4	203.9	219.2	260.5	
BV	943.5	1,085.1	1,206.6	1,354.1	
DPS	36.1	40.0	65.4	79.4	
Cash Per Share	41.5	116.2	123.8	163.6	
Operating Ratios					
EBITDA Margin (%)	12.7	15.0	14.3	14.9	
PBT Margin (%)	11.3	14.8	13.6	14.4	
PAT Margin (%)	8.9	11.1	10.2	10.8	
Inventory days	82.9	74.8	74.0	75.0	
Debtor days	49.0	48.5	50.0	50.0	
Creditor days	59.9	64.9	65.0	65.0	
Return Ratios (%)					
RoE	14.1	16.1	15.5	16.8	
RoCE	17.1	18.6	18.6	20.3	
RoIC	24.2	29.8	29.6	32.8	
Valuation Ratios (x)					
P/E	63.1	47.9	44.9	37.0	
EV / EBITDA	44.0	35.2	31.6	26.3	
EV / Net Sales	5.6	5.3	4.5	3.9	
Market Cap / Sales	5.6	5.3	4.6	4.0	
Price to Book Value	8.9	7.7	7.0	6.2	
Solvency Ratios (x)					
Debt/EBITDA	0.1	0.1	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	1.4	1.4	1.6	

Source: Company, ICICI Direct Research

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Sell: <-15%



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