

Retail Equity Research (South India Focus)

**TTK Prestige Ltd**

Kitchen Appliances

BSE CODE: 517506

NSE CODE: TTKPRESTIG

Bloomberg CODE: TTKPT:IN

SENSEX: 51,598

**Accumulate**

12Months Investment period Rating as per Small Cap  
CMP Rs. 769 TARGET Rs. 885 RETURN 15% ↑  
(Closing: 20-06-22)

**KEY CHANGES:**

**TARGET ↓**

**RATING ↓**

**EARNINGS ↓**

**Price hike aids to reduce margin pressure**

TTK Prestige Ltd (TTK), the flagship company of TTK group, mainly focuses in the Kitchen Appliances segment. The company has 5 manufacturing plants and strong distribution networks, including 665 Prestige Xclusives.

- We downgrade our rating to Accumulate factoring on the current high inflation and margin pressure with a revised Target price of Rs. 885 (from Rs. 975).
- Despite high base, Q4FY22 revenue grew by 17%YoY (43%YoY in Q4FY21) aided by price hike and healthy growth across channels.
- Commodity price inflation impacts cost of production, but the company has taken price hikes in recent quarters to reduce margin pressure.
- Gross margin declined by 540bps to 40.3% (42.4% QoQ) but due to other cost savings, EBITDA margin declined only 240bps to 15.6% YoY.
- TTK targets Rs.50bn revenue by FY25 (from current 27bn) and has almost doubled its capacity for cookware segment and has significantly expanded its distribution in high growth areas.
- TTK acquired 40.8% stake (Rs.20cr) in Ultrafresh Modular Solutions (Modular Kitchen business), expects market size of ~2,500cr.
- Rising inflation can impact demand & margins in the short-term. So, we reduce our valuation to 32x (5Yr avg=38) on FY24E EPS.

**Healthy revenue growth despite high base.**

Despite high base, Q4FY22 consolidated revenue grew by 17%YoY (43%YoY in Q4FY21) aided by price hike and healthy demand across channels. TTK has introduced 28 new SKUs during the quarter and has slated for the launch of ~33 new SKUs for Q1FY23 (127 in FY21). TTK targets Rs.50bn revenue by FY25 (from Rs. 27bn in FY22) and has almost doubled its capacity in Cooker segment along with significant expansion in distribution network in high growth areas (added >2000 outlets in FY21 and looking to enhance further in Tier-II/III cities). All these initiatives will support market share gains. The recent improvement in real estate sector and rise in demand on account of marriages and other occasions which was subdued due to restrictions supported the demand. We expect revenue CAGR of ~12% over FY22-FY24E.

**Margin declines due to cost inflation, price hike reduces pressure**

Due to sharp surge in raw material prices Gross margin declined by 540bps YoY to 40.3% (42.4% QoQ). However, with reduction in staff & other expenses EBITDA margin decline only by 240bps YoY to 15.6%. In FY22, TTK took price hike of ~5%-6% for cooker & cookware, 8%-10% in appliances segments and has taken price hike in the ongoing quarter (in April) also. The input prices have been on uptrend since Q3FY21 but has peaked out in recent months. TTK has strong pricing power which helps the company to pass on surge in costs to the consumer.

**Export focus continues...**

Exports continued good performance at +33%YoY to 29cr (Rs.98cr in FY22 Vs. Rs.71cr in FY21). TTK targets to double its exports, and the contribution has now improved to ~3.9% in FY22 Vs. 3.5%/2.2% in FY21/FY20. TTK has almost doubled its capacity in cookware segment as ~90% of exports are in cookware.

**Valuation & Outlook:**

Short-term demand and margin outlook has dimmed due to current sharp increase in inflation. However, long-term demand will be supported by GoI's strong thrust to revive the economy, and TTK's strong brand recall. The stock currently trades at ~31x 1Yr Fwd P/E. We value at 32x FY24E EPS (5Yr Avg=38) to arrive at a revised Target of Rs. 885 (Rs.975 earlier), downgrade to Accumulate rating.

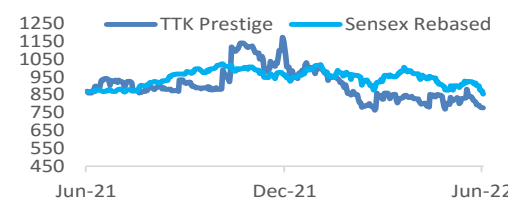
**Company Data**

Market Cap (Rs.cr)	10,756
Enterprise Value (Rs.cr)	10,796
Outstanding Shares (cr)	13.9
Free Float	29%
Dividend Yield	0.70%
52 week high (Rs.)	1,270
52 week low (Rs.)	749
6m average volume (Lakhs)	0.01
Beta	0.7
Face value Rs.	1

Shareholding %	Q2FY22	Q3FY22	Q4FY22
Promoters	70.4	70.4	70.4
FII's	9.9	9.6	9.3
MFs/Insti	13.1	13.1	13.2
Public	5.1	5.7	6.1
Others	1.4	1.3	1.0
Total	100	100	100
Promotor pledge	0.0%	0.0%	0.0%

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-9.7%	-22.8%	-10.9%
Absolute Sensex	-11.0%	-9.7%	-1.9%
Relative Return*	1.3%	-13.1%	-8.9%

**\*over or under performance to benchmark index**



Consolidated (cr)	FY22	FY23E	FY24E
Sales	2,719	3,103	3,428
Growth (%)	24.3	14.1	10.5
EBITDA	422	467	526
EBITDA Margin (%)	15.5	15.0	15.4
Adj. PAT	301	338	382
Growth (%)	34.5	12.3	13.1
Adj. EPS	21.7	24.4	27.6
Growth (%)	34.5	12.3	13.1
P/E	35.8	31.9	28.2
P/B	6.2	5.4	4.6
EV/EBITDA	24.1	21.6	18.8
ROE (%)	18.6	18.0	17.6
D/E	0.1	0.0	0.0

Vincent Andrews  
Research Analyst



## Quarterly Financials (Consolidated)

### Profit & Loss

Rs cr)	Q4FY22	Q4FY21	YoY Growth (%)	Q3FY22	QoQ Growth (%)	FY22	FY21	YoY Growth (%)
Sales	698	598	16.6%	765	-8.9%	2722	2187	24.5%
EBITDA	109	108	0.9%	129	-16.0%	425	327	30.0%
EBITDA margins %	15.6%	18.0%	(240bps)	16.9%	(130bps)	15.6%	15.0%	70bps
Depreciation	11	10	12.8%	11	-1.1%	44	40	10.5%
EBIT	97	97	-0.3%	118	-17.5%	381	287	32.7%
Interest	2	2	-20.9%	2	-16.6%	6	5	23.2%
Other Income	13	5	149.6%	5	148.2%	35	29	22.1%
Exceptional Items	0	12	0.0%	0	0.0%	0	12	0.0%
PBT	109	113	-3.3%	121	-10.1%	410	323	27.0%
Tax	29	27	5.8%	31	-5.3%	105	80	31.5%
Share of profit from associates	0	0	NA	0	NA	0	0	NA
Minority interest	0	0	NA	0	NA	0	0	NA
Reported PAT	80	85	-6.3%	91	-11.8%	305	243	25.5%
Adjustments	0	12	0.0%	0	0.0%	0	12	0.0%
Adj PAT	80	97	-17.7%	91	-11.8%	305	255	19.6%
No. of Shares	12	12	0.0%	12	0.0%	12	12	0.0%
Adj EPS (Rs)	5.8	7.0	-17.7%	6.5	-11.8%	22.0	18.4	19.6%

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	3,050	3,370	3,103	3,428	1.7%	1.7%
EBITDA	470	530	467	526	-0.7%	-0.7%
Margins (%)	15.4%	15.7%	15.0%	15.4%	(40bps)	(30bps)
Adj. PAT *	341	386	338	382	-0.9%	-1.0%
EPS	24.6	27.9	24.4	27.6	-0.9%	-1.2%

## PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22	FY23E	FY24E
<b>Revenue</b>	<b>2,073</b>	<b>2,187</b>	<b>2,719</b>	<b>3,103</b>	<b>3,428</b>
% change	-1.6	5.5	24.3	14.1	10.5
<b>EBITDA</b>	<b>252</b>	<b>321</b>	<b>422</b>	<b>467</b>	<b>526</b>
% change	-13.8	27.6	31.3	10.7	12.8
Depreciation	37	40	44	43	48
<b>EBIT</b>	<b>215</b>	<b>281</b>	<b>377</b>	<b>424</b>	<b>479</b>
Interest	5	5	6	6	6
Other Income	25	29	35	37	41
<b>PBT</b>	<b>234</b>	<b>305</b>	<b>406</b>	<b>455</b>	<b>514</b>
% change	-18.1	30.1	33.3	12.0	13.1
Tax	50	81	105	117	132
Tax Rate (%)	21.3%	26.6%	25.9%	25.7%	25.7%
<b>Reported PAT</b>	<b>185</b>	<b>237</b>	<b>301</b>	<b>338</b>	<b>382</b>
Adj*	0	13	0	0	0
<b>Adj PAT</b>	<b>184</b>	<b>224</b>	<b>301</b>	<b>338</b>	<b>382</b>
% change	-4.1	21.4	34.5	12.3	13.1
No. of shares (cr)	13.9	13.9	13.9	13.9	13.9
<b>Adj EPS (Rs.)</b>	<b>13.3</b>	<b>17.1</b>	<b>21.7</b>	<b>24.4</b>	<b>27.6</b>
% change	-20.1	21.4	34.5	12.3	13.1
DPS (Rs.)	4	4	5	5	5
CEPS (Rs.)	15.9	19.0	24.9	27.5	31.0

## CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Net inc. + Depn.</b>	<b>221</b>	<b>264</b>	<b>345</b>	<b>381</b>	<b>430</b>
Non-cash adj.	4	-6	0	0	0
Other adjustments	-27	-8	6	6	6
Changes in W.C	56	-3	-32	-195	-112
<b>C.F. Operation</b>	<b>254</b>	<b>246</b>	<b>320</b>	<b>192</b>	<b>323</b>
Capital exp.	-58	-28	-59	-63	-40
Change in inv.	-141	-170	65	-100	-200
Other invest.CF	15	21	0	0	0
<b>C.F - Investment</b>	<b>-184</b>	<b>-177</b>	<b>6</b>	<b>-163</b>	<b>-240</b>
Issue of equity	0	0	0	0	0
Issue/repay debt	-42	-25	9	-19	-19
Dividends paid	-50	-55	-55	-67	-67
Other finance.CF	-3	-2	-6	-6	-6
<b>C.F - Finance</b>	<b>-96</b>	<b>-82</b>	<b>-53</b>	<b>-91</b>	<b>-91</b>
Chg. in cash	-26	-13	273	-62	-8
Closing cash	53	76	349	287	279

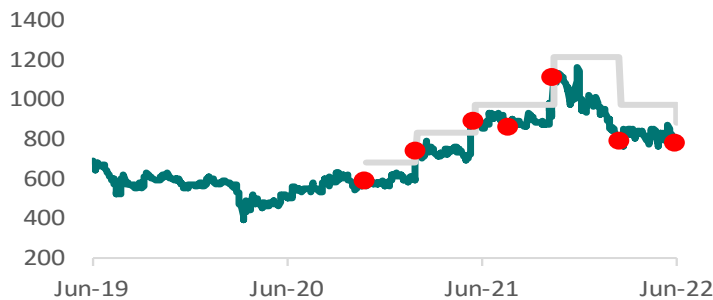
## BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	53	76	349	287	279
Accounts Receivable	295	327	335	425	470
Inventories	471	448	586	677	758
Other Cur. Assets	55	161	164	167	176
Investments	331	420	356	456	656
Gross Fixed Assets	580	609	679	739	779
Net Fixed Assets	444	441	466	483	476
CWIP	6	18	7	10	10
Intangible Assets	128	132	132	132	132
Def. Tax (Net)	0	0	0	0	0
Other Assets	35	52	79	102	113
<b>Total Assets</b>	<b>1,818</b>	<b>2,075</b>	<b>2,462</b>	<b>2,728</b>	<b>3,058</b>
Current Liabilities	423	452	593	606	638
Provisions	4	0	2	3	3
Debt Funds	49	84	93	74	56
Other Liabilities	33	35	35	35	35
Equity Capital	14	14	14	14	14
Reserves & Surplus	1,292	1,491	1,725	1,997	2,312
Shareholder's Fund	1,309	1,505	1,739	2,011	2,326
<b>Total Liabilities</b>	<b>1,818</b>	<b>2,075</b>	<b>2,462</b>	<b>2,728</b>	<b>3,058</b>
<b>BVPS (Rs.)</b>	<b>94</b>	<b>108</b>	<b>125</b>	<b>145</b>	<b>168</b>

## RATIOS

Y.E March	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	12.1	14.7	15.5	15.0	15.4
EBIT margin (%)	10.4	12.9	13.9	13.7	14.0
Net profit mgn.(%)	8.9	10.2	11.1	10.9	11.2
ROE (%)	14.9	15.9	18.6	18.0	17.6
ROCE (%)	11.3	11.3	13.3	13.0	12.9
<b>W.C &amp; Liquidity</b>					
Receivables (days)	53.8	51.9	44.5	44.7	47.6
Inventory (days)	82.9	76.7	69.4	74.3	76.4
Payables (days)	61.8	61.8	68.2	71.6	64.5
Current ratio (x)	2.8	3.1	2.8	3.0	3.4
Quick ratio (x)	0.8	0.9	1.1	1.1	1.1
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.9	3.7	4.2	4.4	4.5
Total asset T.O (x)	1.2	1.1	1.2	1.2	1.2
Int. coverage ratio (x)	39.4	55.7	60.7	71.8	85.8
Adj. debt/equity (x)	0.1	0.1	0.1	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	5.1	4.7	3.7	3.3	2.9
EV/EBITDA (x)	41.6	32.2	24.1	21.6	18.8
P/E (x)	58.4	48.1	35.8	31.9	28.2
P/BV (x)	8.2	7.2	6.2	5.4	4.6

## Recommendation Summary-(Last 3 Years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
10-Nov-20	Buy	687
12-Feb-21	Accumulate	818
07-June-21	Accumulate	975
04-Aug-21	Accumulate	980
01-Nov-21	Accumulate	1,225
02-March-22	Buy	975
21-June-22	Accumulate	885

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.

**Accumulate:** Partial buying or to accumulate as CMP dips in the future.

**Hold:** Hold the stock with the expected target mentioned in the note.

**Reduce:** Reduce your exposure to the stock due to limited upside.

**Sell:** Exit from the stock.

**Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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