

## Capacity expansion to spur revenue growth...

**About the stock:** TTK Prestige is India's leading player in kitchen solutions and has successfully transformed itself from a company manufacturing pressure cookers to having an entire gamut of home and kitchen appliances.

- It continues to be market leader in the cooker segment and has material share in other appliance and cookware categories
- Over the years, the company has maintained its balance sheet strength with strong cash reserves and healthy RoIC of 30%+

**Q1FY22 Results:** Key takeaway from the results were that despite increase in commodity prices, the company has maintained its gross margins.

- With most channels closed in Q1FY22 (except online channel), revenue for the quarter de-grew 36% QoQ (up 71% YoY) to ₹ 356.9 crore
- Gross margin contraction was restricted to ~100 bps QoQ to 44.6% on account of price hikes and better product mix
- On account of negative operating leverage, EBITDA margins contracted by 750 bps QoQ (up 720 bps YoY) to 10.9%
- It continues to carry substantial free cash worth ₹ 490 crore

**What should investors do?** TTK has been a consistent compounder with stock price appreciating at 16% CAGR in the last five years.

- We continue to remain positive and maintain our **BUY** rating on the stock

**Target Price and Valuation:** We value TTK at ₹ 10675 i.e. 44x FY23E EPS

### Key triggers for future price performance:

- The company has nearly doubled the capacity for the cookware division while the new plant is expected to be commissioned in Q2FY22
- TTK 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 ~80 SKUs to be launched in Q2FY22, which would propel growth, going forward
- Expect revenue recovery to pick up pace from Q2FY22 onwards and model revenue and earnings CAGR of 16%, 17%, respectively, in FY21-23E

**Alternate Stock Idea:** Apart from TTK, in our retail coverage we also like Butterfly Gandhimati Appliances

- BGAL has shown consistent improvement on financial performance parameters with working capital days and return ratios getting significantly enhanced in FY21
- BUY with a target price of ₹ 1000



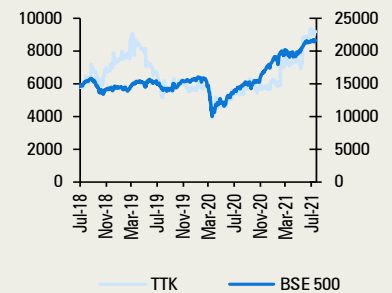
### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	12,739.6
Debt (FY21) (₹ Crore)	40.4
Cash (FY21) (₹ Crore)	161.2
EV (₹ Crore)	12,618.8
52 week H/L	9579 / 5235
Equity Capital (₹ Crore)	13.9
Face Value	10

### Shareholding pattern

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	70.4	70.4	70.4	70.4	70.4
FII	9.5	9.4	9.5	10.0	9.9
DII	11.2	11.7	11.8	12.5	12.8
Others	8.9	8.5	8.3	7.0	6.9

### Price Chart



### Recent Event & Key risks

- Cookware plant to start in Q2FY22
- **Key Risk:** (i) Extended lockdown can lower sales (ii) Input cost inflation can subdue margins

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### Key Financial Summary

Financials	FY19	FY20	FY21E	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Net Sales	2,106.9	2,073.0	2,186.9	8.0%	2,542.5	2,916.5	15.5%
EBITDA	292.0	263.5	327.3	12.3%	389.3	464.1	19.1%
PAT	192.4	184.5	242.9	16.0%	278.2	336.5	17.7%
EPS (₹)	138.7	133.0	175.1		200.6	242.6	
P/E (x)	66.2	69.0	52.5		45.8	37.9	
EV/Sales (x)	6.0	6.1	5.8		5.0	4.3	
EV/EBITDA (x)	43.5	48.2	38.6		32.4	27.0	
RoCE (%)	21.8	17.1	18.6		20.0	21.5	
RoE (%)	16.5	14.1	16.1		16.5	17.7	

## Key conference call takeaways

- With most channels closed in May 2021 (except online channel), revenue for the quarter de-grew 36% sequentially (up 71% YoY) to ₹ 356.9 crore. While domestic sales dipped 37% QoQ (up 71% YoY) to ₹ 336.5 crore, exports remained resilient with de-growth of 7% QoQ (up 68% YoY) to ₹ 20.4 crore. On the segmental front, cooker segment (29% of sales) was impacted the most with revenue decline of 40% QoQ (up 80% YoY), followed by appliances segment (48% of sales), which declined 36% QoQ (up 62% YoY)
- The management indicated business resumed to reasonable levels only from early June 2021. From the experience of the previous lockdown the company was adequately geared up to ensure that lockdowns do not severely affect the operations that are possible during current period as well as post lockdown period. Post relaxations in lockdown, the company has been recovering well in July 2021 with all channels operational in all states. It continues to carry substantial free cash worth ₹ 490 crore
- Share of e-commerce sales was at 32% during the quarter compared to 24% in Q1FY21. The management indicated that e-commerce revenue share could stabilise to around 25% once the demand situation normalises and other distribution channels gain traction on removal of restrictions on trade
- The company has been able to expand gross margin on a YoY basis due to combination of price hikes, better channel and product mix (increased sales of premium products). TTK has taken 5-6% hike in prices in July 2021 for certain product categories, which should support gross margins, going ahead
- The management indicated that working capital was higher as the management continued with production during lockdown in Q1FY22 in spite of lower sales. The channel inventory is stable at Q4FY21 levels
- The company is experiencing strong growth in exports and believes it could have had higher export sales during the quarter but sales growth was restricted due to shortage of containers for export
- On the market share front, the management highlighted that it is the market leader in five of the six major product categories. Also, it is working towards gaining market leadership in mixer grinder category
- The management indicated that organised players had gained 2-3% market share from unorganised players
- On the distribution channel front, the company is continuously expanding its reach. It has added around 7000 new outlets to its distribution network over the last few quarters
- On Judge brand, the management indicated that its contribution to revenue currently is very minuscule. It is working on several initiatives to promote the brand. The share of Judge brand can scale up to around 10% over the next three to five years

**Exhibit 1: Variance Analysis**

	Q1FY22	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	Comments
Revenue	356.9	329.6	208.5	71.2	554.9	-35.7	Domestic revenue de-grew 37% QoQ, while exports de-grew 7% QoQ
Other Income	8.3	5.8	6.6	26.0	5.4	54.5	
Employee Expenses	45.5	42.8	35.6	27.9	47.6	-4.3	
Raw Material Expenses	197.9	183.9	124.0	59.6	301.8	-34.4	Gross margins contraction was restricted to 100 bps QoQ owing to better product/channel mix and price hikes across categories
Other Expenses	74.5	72.5	41.1	81.4	103.1	-27.8	
EBITDA	39.1	30.3	7.9	393.4	102.5	-61.9	
EBITDA Margin (%)	10.9	9.2	3.8	715 bps	18.5	-752 bps	Negative operating leverage led to EBITDA margins contracting sharply QoQ
Depreciation	9.8	10.4	8.4	16.9	10.1	-3.6	
Interest	1.0	0.8	0.7	46.3	0.7	32.4	
Extraordinary (expense)/Income	0.0	0.0	0.0	NA	11.9	NA	
PBT	36.6	24.9	5.5	569.5	108.9	-66.4	
Tax Outgo	9.4	6.3	1.4	581.9	26.5	-64.5	
PAT	27.2	18.6	4.1	565.3	82.4	-67.0	

**Key Metrics**

Segment Revenue (₹)							
Cookers	104.0	92.7	57.9	79.6	173.0	-39.9	
Cookware	68.9	58.2	35.3	95.3	90.0	-23.5	
Appliances	170.7	163.6	105.6	61.7	266.0	-35.8	

Source: Company, ICICI Direct Research

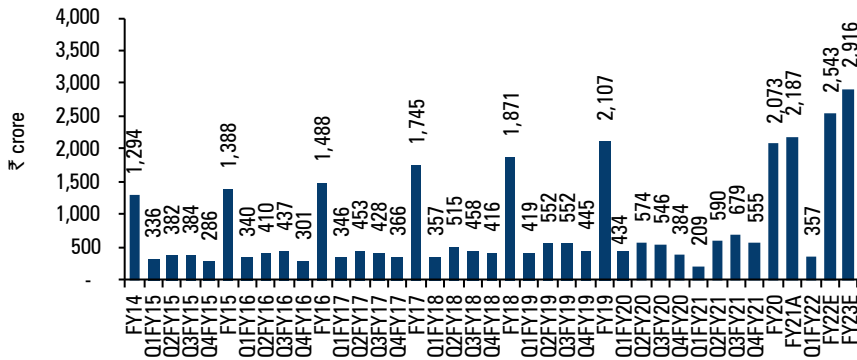
**Exhibit 2: Change in estimates**

(₹ Crore)	FY21A	FY22E			FY23E		
	Actual	Old	New	% Change	Old	New	% Change
Revenue	2,186.9	2,542.5	2,542.5	0.0	2,916.5	2,916.5	0.0
EBITDA	327.3	363.9	389.3	7.0	435.0	464.1	6.7
EBITDA Margin (%)	15.0	14.3	15.3	100 bps	14.9	15.9	100 bps
PAT	242.9	259.2	278.2	7.3	314.7	336.5	6.9
EPS (₹)	175.1	186.9	200.6	7.3	226.9	242.6	6.9

Source: Company, ICICI Direct Research

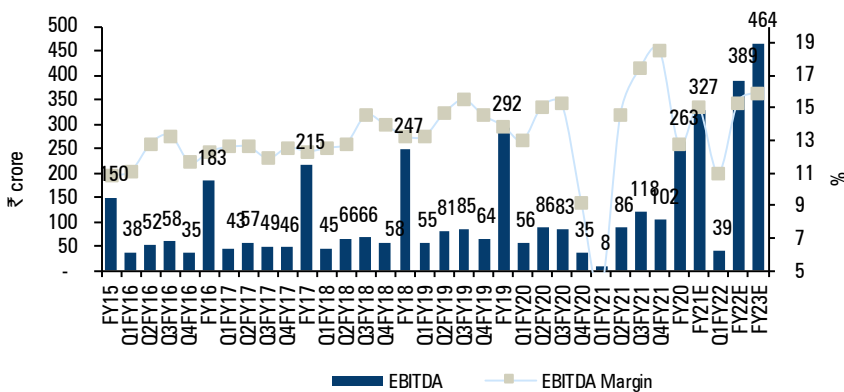
Financial story in charts....

Exhibit 3: Revenue trend



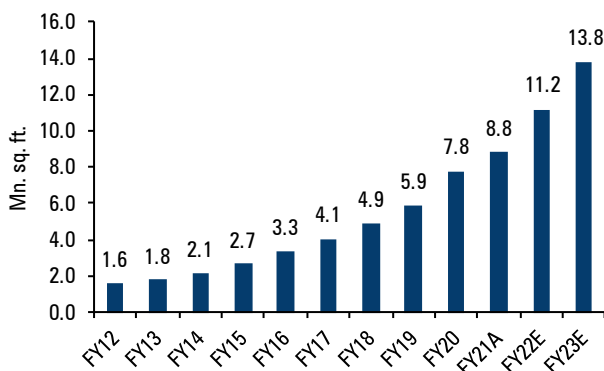
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA trend



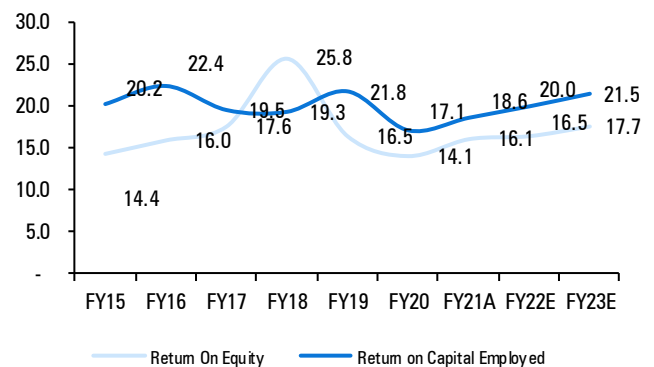
Source: Company, ICICI Direct Research

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	69.0	48.2	14.1	17.1
FY21A	2,186.9	5.5	175.1	31.6	52.5	38.6	16.1	18.6
FY22E	2,542.5	16.3	200.6	14.6	45.8	32.4	16.5	20.0
FY23E	2,916.5	14.7	242.6	20.9	37.9	27.0	17.7	21.5

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E
<b>Total operating Income</b>	<b>2,073.0</b>	<b>2,186.9</b>	<b>2,542.5</b>	<b>2,916.5</b>
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	218.7	259.6
Manufacturing & other exp	415.6	399.6	465.3	539.5
Total Operating Expenditure	1,809.5	1,859.7	2,153.2	2,452.3
<b>EBITDA</b>	<b>263.5</b>	<b>327.3</b>	<b>389.3</b>	<b>464.1</b>
Growth (%)	-9.8	24.2	19.0	19.2
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	372.0	449.9
Growth (%)	-18.1	37.7	15.2	20.9
Total Tax	49.9	80.0	93.7	113.4
<b>PAT</b>	<b>184.5</b>	<b>242.9</b>	<b>278.2</b>	<b>336.5</b>
Growth (%)	-4.1	31.6	14.6	20.9
<b>EPS (₹)</b>	<b>133.0</b>	<b>175.1</b>	<b>200.6</b>	<b>242.6</b>

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E
Profit/(Loss) after taxation	1,301.0	1,099.4	1,592.2	2,541.0
Add: Depreciation	374.4	414.2	535.5	641.0
Net Increase in Current Assets	-525.4	-551.5	-520.1	-1,069.3
Net Increase in Current Liabilities	-4.8	378.8	120.9	276.9
<b>CF from operating activities</b>	<b>1,145.2</b>	<b>1,340.9</b>	<b>1,728.5</b>	<b>2,389.6</b>
(Inc)/dec in Investments	-3,119.3	2,032.1	167.8	190.2
(Inc)/dec in Fixed Assets	-1,700.0	-2,029.0	-2,072.4	-2,802.8
Others	159.2	91.0	0.0	0.0
<b>CF from investing activities</b>	<b>-4,660.1</b>	<b>94.1</b>	<b>-1,904.6</b>	<b>-2,612.6</b>
Inc / (Dec) in Equity Capital	23.7	0.0	0.0	0.0
Inc / (Dec) in Loan	-696.4	-3.7	0.0	0.0
Others	4,076.4	-93.6	-149.8	-168.0
<b>CF from financing activities</b>	<b>3,403.7</b>	<b>-97.4</b>	<b>-149.8</b>	<b>-168.0</b>
Net Cash flow	-111.2	1,337.6	-325.9	-391.1
Opening Cash	219.1	107.9	1,445.6	1,119.7
<b>Closing Cash</b>	<b>107.9</b>	<b>1,445.5</b>	<b>1,119.7</b>	<b>728.6</b>

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E
Equity Capital	647.8	647.8	647.8	647.8
Reserve and Surplus	10,432.0	11,535.9	13,128.1	15,669.1
Total Shareholders funds	11,079.7	12,183.7	13,775.9	16,316.9
Total Debt	3.7	-	-	-
Non Current Liabilities	343.8	444.7	444.7	444.7
<b>Source of Funds</b>	<b>11,427.2</b>	<b>12,628.5</b>	<b>14,220.6</b>	<b>16,761.6</b>
Gross block	5,930.3	7,051.4	9,643.4	12,446.2
Less: Accum depreciation	822.9	1,112.9	1,498.7	1,971.6
Net Fixed Assets	5,107.4	5,938.5	8,144.8	10,474.6
Capital WIP	364.4	1,019.6	500.0	500.0
Intangible assets	106.8	100.5	100.5	100.5
Investments	3,153.9	1,121.8	954.0	763.8
Inventory	1,947.4	2,248.3	2,706.7	3,655.9
Cash	107.9	1,445.6	1,119.7	728.6
Debtors	19.6	43.6	43.7	121.9
Loans & Advances & Other	257.7	320.7	336.8	353.6
Total Current Assets	2,332.5	4,058.2	4,206.8	4,860.0
Creditors	433.5	578.1	698.5	974.9
Provisions & Other CL	215.3	449.4	449.9	450.4
Total Current Liabilities	648.7	1,027.5	1,148.4	1,425.3
Net Current Assets	1,683.8	3,030.7	3,058.4	3,434.6
LT L& A, Other Assets	1,011.0	1,417.4	1,463.0	1,488.1
Other Assets	0.0	0.0	0.0	0.0
<b>Application of Funds</b>	<b>11,427.2</b>	<b>12,628.5</b>	<b>14,220.6</b>	<b>16,761.6</b>

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	20.1	17.0	24.6	39.2
Cash EPS	25.9	23.4	32.8	49.1
BV	171.0	188.1	212.7	251.9
Cash Per Share	1.7	22.3	17.3	11.2
<b>Operating Ratios (%)</b>				
EBITDA margins	8.6	7.2	8.0	8.9
PBT margins	7.0	6.1	6.7	7.6
Net Profit margins	5.2	4.6	5.0	5.7
Inventory days	28.6	34.0	31.0	30.0
Debtor days	0.3	0.7	0.5	1.0
Creditor days	6.4	8.7	8.0	8.0
<b>Return Ratios (%)</b>				
RoE	11.7	9.0	11.6	15.6
RoCE	16.4	12.5	15.8	21.2
RoIC	23.2	15.9	18.6	23.3
<b>Valuation Ratios (x)</b>				
P/E	166.3	196.8	135.9	85.1
EV / EBITDA	100.1	122.7	84.0	54.3
EV / Sales	8.6	8.9	6.7	4.8
Market Cap / Revenues	8.7	9.0	6.8	4.9
Price to Book Value	19.5	17.8	15.7	13.3
<b>Solvency Ratios</b>				
Debt / Equity	0.0	0.0	0.0	0.0
Debt/EBITDA	0.0	0.0	0.0	0.0
Current Ratio	3.4	2.5	2.7	2.9
Quick Ratio	0.4	0.4	0.3	0.3

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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