

## New product launches to propel revenue growth...

**About the stock:** TTK Prestige is India's leading player in kitchen solutions and has been successful in transforming 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
- The company has over the years maintained its balance sheet strength with strong cash reserves (~₹ 530+ crore) and healthy RoIC of 30%+

**Q3FY22 Results:** Revenue growth for the quarter moderated owing to higher base of the previous year and certain festive primary sales shifting in September. Despite lower than anticipated revenue growth and higher cost inflation, TTK has maintained healthy EBITDA margins.

- Revenue grew 5.9% YoY to ₹ 719.2 crore. Domestic sales grew 5% YoY to ₹ 695 crore while exports grew 44% YoY to ₹ 24.5 crore
- In order to mitigate cost inflation, TTK has taken price hikes for select categories in Q3FY22. Gross margins improved 90 bps YoY to 42.4%
- TTK reported healthy EBITDA margins of 17.5% (flattish YoY)

**What should investors do?** TTK has been a consistent compounder with the stock price appreciating at 14% CAGR in the last five years. We believe the recent stock price correction (~20%) offers a good entry point

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

**Target Price and Valuation:** We value TTK at ₹ 1270 i.e. 45x FY24E EPS

### Key triggers for future price performance:

- In order to cater to strong domestic and export demand, TTK has added annual capacity of 4 mn pieces non-stick cookware in Gujarat factory
- 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 ~63 SKUs to be launched in Q4FY22, which would propel growth, going forward
- Maintained its guidance of achieving ₹ 5000 crore by FY25 through organic and inorganic route. We build in revenue and earnings CAGR of 16% and 17%, respectively, in FY21-24E

**Alternate Stock Idea:** Apart from TTK, we also like Butterfly Gandhimathi Appliances.

- BGAL has shown consistent improvement in financial performance parameters with working capital days, return ratios getting significantly enhanced in FY21. We expect it to maintain RoCE of ~30%+ in FY23E
- BUY with a target price of ₹ 1255

### Key Financial Summary

Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	2,106.9	2,073.0	2,186.9	8.0%	2,589.4	2,970.5	3,394.4	15.8%
EBITDA	292.0	263.5	327.3	12.3%	399.5	464.2	536.7	17.9%
PAT	192.4	184.5	242.9	16.0%	286.3	336.6	391.8	17.3%
EPS (₹)	13.9	13.3	17.5		20.6	24.3	28.2	
P/E (x)	68.1	71.0	54.0		45.8	38.9	33.5	
EV/Sales (x)	6.2	6.3	5.9		5.0	4.3	3.8	
EV/EBITDA (x)	44.8	49.6	39.7		32.5	27.8	23.9	
RoCE (%)	21.8	17.1	18.6		20.5	21.4	22.0	
RoE (%)	16.5	14.1	16.1		16.9	17.6	18.1	

Source: Company, ICICI Direct Research



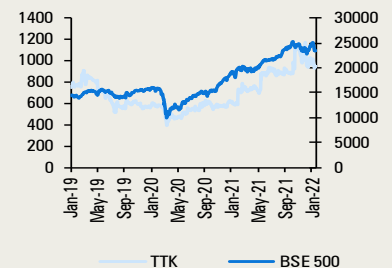
### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	13,107.2
Debt (FY21) (₹ Crore)	40.4
Cash (FY21) (₹ Crore)	161.2
EV (₹ Crore)	12,986.3
52 week H/L	1269 / 585
Equity Capital (₹ Crore)	13.9
Face Value	1.0

### Shareholding pattern

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	70.4	70.4	70.4	70.4	70.4
FII	9.5	10.0	9.9	9.9	9.6
DII	11.8	12.5	12.8	13.1	13.1
Others	8.3	7.0	6.9	6.6	7.0

### Price Chart



### Recent Event & Key risks

- Total 46 new SKUs launched in Q3FY22
- **Key Risk:** (i) Re-imposition in lockdown can lower sales (ii) Input cost inflation can subdue margins

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## Key conference call takeaways

- The revenue trajectory for TTK slowed down during the quarter as it registered revenue growth of 5.9% YoY to ₹ 719.2 crore (I-direct estimate: ₹ 770.0 crore). The cooker segment continued to outperform (31% of revenue) and reported 10% YoY revenue growth followed by cookware (16% of revenue) and appliances (49% of revenue) categories, which grew 9% and 2%, respectively. Revenue growth for the quarter moderated in Q3FY22 owing to higher base of previous year and certain festive primary sales shifting in Q2FY22. Revenue growth in July-December 2021 grew 20% YoY (two-year CAGR: 17%). TTK, in the previous call, had alluded to the fact that robust growth trajectory witnessed in H1FY22 may not be sustainable
- All the channels were active in Q3FY22, with offline channels registering stronger growth compared to online channels. Revenue contribution from e-commerce dropped compared to the previous quarters
- Export sales grew 44% YoY to ₹ 24.5 crore (9MFY22: ₹ 69 crore). Export outlook continues to remain positive despite logistical issues (higher freight cost and container shortage). It is targeting exports to breach the ₹ 100 crore mark in FY22 (₹ 71 crore in FY21)
- The management indicated that the demand is decent but buoyancy, which was witnessed in some earlier quarters, is missing owing to lower pent up demand. Also, the management expects a marginally negative impact due to Omicron but as Covid-19 cases have started to decline across India, the company expects demand to pick up in February and March 2022
- The company expects its leadership in the offline channel to rub off in the e-commerce channel also. The current share of online is ~18%. Further, TTK is focusing on increasing its online presence and plans to have a strong digital commerce play, going ahead, to align its distribution channel strategy with the consumer preference
- The management indicated that gross margins improved due to a combination of price hike and better product and channel mix. The company took price hikes in the range of 5-7% in Q2FY22 and at the start of Q3FY22. The management highlighted that it believes in maintaining profitable growth and would not pursue aggressive revenue growth at the cost of margins
- Raw material inflation has continued even after Q3FY22 but the pace of increase has slowed down. In the current scenario, the management indicated that they are not looking at any immediate price hike unless there is a significant cost inflation in raw materials
- Cooker capacity is currently operating at 85% utilisation while cookware is operating at 70% capacity utilisation as the company added a new line recently. TTK indicated that the innovative product pipeline is strong and new innovative products would be continuously launched. On the mixer grinder front, TTK is the No. 3 player in India. The company has launched 12 new models in FY22 and will be launching another four new models in the next few months
- On the market share front, the management said that its market share was stable across product categories. On the margin front, the management highlighted that cooker and cookware have higher margins than appliances segment
- The management guided at annual capex to be in the range of ₹ 50-100 crore depending on the development of the projects
- Prestige Xclusive chain strength was 670 in 383 towns
- Horwood achieved sales of £13.9 million (PY £11.4 million) during 9MFY22, growth of 23% notwithstanding continued Brexit and Covid-19 pandemic related impact

Exhibit 1: Variance Analysis

	Q3FY22	Q3FY22E	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Revenue	719.2	770.0	679.4	5.9	808.6	-11.1	Domestic revenue grew 5% YoY, while exports grew 44% YoY
Other Income	5.4	8.6	8.4	-36.1	8.0	-32.6	
Employee Expenses	50.2	49.3	44.2	13.7	49.0	2.6	
Raw Material Expenses	414.1	454.3	397.5	4.2	486.3	-14.8	Gross margins improved YoY owing to better product/channel mix and price hikes across categories
Other Expenses	129.2	136.3	119.6	8.1	137.5	-6.1	
EBITDA	125.7	130.1	118.2	6.3	135.8	-7.5	
EBITDA Margin (%)	17.5	16.9	17.4	7 bps	16.8	68 bps	EBITDA margins remained constant YoY despite moderate sales
Depreciation	10.7	10.6	10.0	7.1	10.3	4.5	
Interest	1.4	0.9	1.0	38.4	0.8	63.1	
Extraordinary (expense)/Income	0.0	0.0	0.0	NA	0.0	NA	
PBT	119.0	127.3	115.6	2.9	132.7	-10.3	
Tax Outgo	30.2	32.1	29.1	3.8	34.0	-11.2	
PAT	88.7	95.2	86.5	2.5	98.6	-10.0	

Key Metrics

Segment Revenue (₹)						
Cookers	225.6	234.9	204.3	10.4	237.5	-5.0
Cookware	114.1	117.3	104.7	9.0	138.4	-17.6
Appliances	349.1	388.0	343.3	1.7	404.9	-13.8

Source: Company, ICICI Direct Research

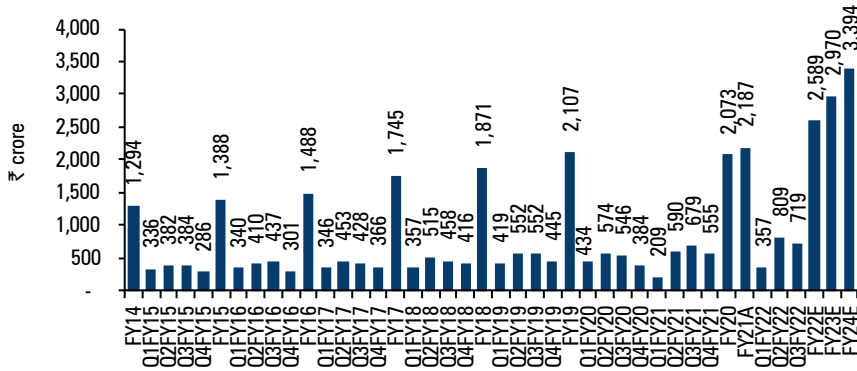
Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	2,589.4	2,589.4	0.0	2,970.5	2,970.5	0.0	3,394.4	3,394.4	0.0
EBITDA	389.1	389.1	0.0	464.2	464.2	0.0	536.7	536.7	0.0
EBITDA Margin (%)	15.0	15.0	0 bps	15.6	15.6	0 bps	15.8	15.8	0 bps
PAT	278.5	278.5	0.0	336.6	336.6	0.0	391.8	391.8	0.0
EPS (₹)	20.1	20.1	0.0	24.3	24.3	0.0	28.2	28.2	0.0

Source: Company, ICICI Direct Research

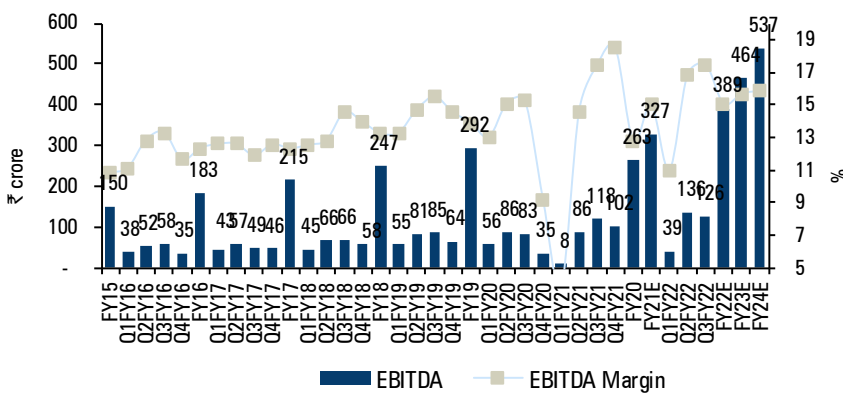
Financial story in charts....

Exhibit 3: Revenue trend



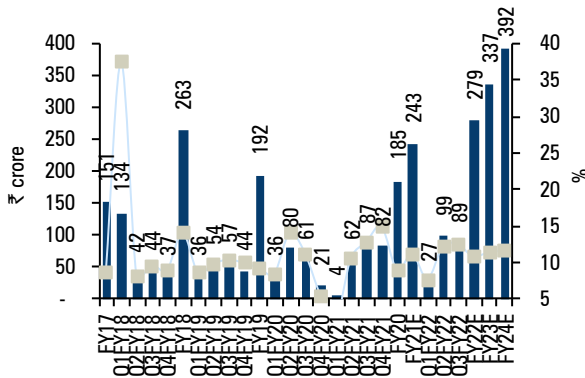
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA trend



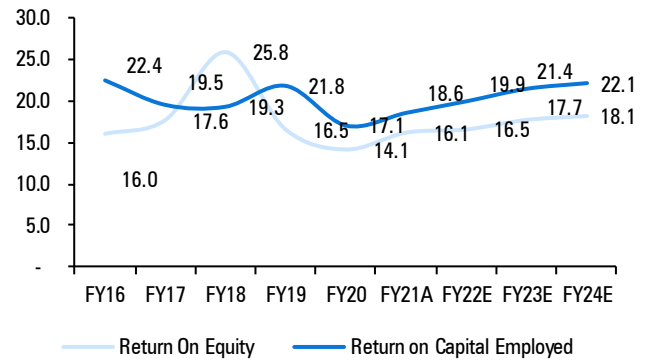
Source: Company, ICICI Direct Research

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)	13.3	-4.1	71.0	49.6	14.1	17.1
FY21	2,186.9	5.5	17.5	31.6	54.0	39.7	16.1	18.6
FY22E	2,589.4	18.4	20.1	14.7	47.1	33.3	16.5	19.9
FY23E	2,970.5	14.7	24.3	20.8	38.9	27.8	17.7	21.4
FY24E	3,394.4	14.3	28.2	16.4	33.5	23.9	18.1	22.1

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21A	FY22E	FY23E	FY24E
<b>Total operating Income</b>	<b>2,186.9</b>	<b>2,589.4</b>	<b>2,970.5</b>	<b>3,394.4</b>
Growth (%)	5.5	18.4	14.7	14.3
Raw Material Expenses	1,268.9	1,514.1	1,713.2	1,954.8
Employee Expenses	191.2	212.3	252.5	291.9
Manufacturing & other exp	399.6	463.5	540.6	611.0
Total Operating Expenditure	1,859.7	2,190.0	2,506.3	2,857.7
<b>EBITDA</b>	<b>327.3</b>	<b>399.5</b>	<b>464.2</b>	<b>536.7</b>
Growth (%)	24.2	22.1	16.2	15.6
Depreciation	40.0	44.8	47.7	51.0
Interest	5.1	5.6	5.2	6.0
Other Income	28.7	33.7	38.6	44.1
Exceptional Income	11.9	0.0	0.0	0.0
PBT	322.9	382.7	449.9	523.8
Growth (%)	37.7	18.5	17.6	16.4
Total Tax	80.0	96.5	113.4	132.0
<b>PAT</b>	<b>242.9</b>	<b>286.3</b>	<b>336.6</b>	<b>391.8</b>
Growth (%)	31.6	17.9	17.6	16.4
<b>EPS (₹)</b>	<b>17.5</b>	<b>20.6</b>	<b>24.3</b>	<b>28.2</b>

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY21A	FY22E	FY23E	FY24E
PAT	242.9	286.3	336.6	391.8
Add: Depreciation	40.0	44.8	47.7	51.0
(Inc)/dec in Current Assets	-31.5	-146.6	-141.9	-164.3
Inc/(dec) in CL and Provisions	3.7	45.9	37.4	45.0
Others	-	-	-	-
<b>CF from operating activities</b>	<b>255.1</b>	<b>230.4</b>	<b>279.7</b>	<b>323.4</b>
(Inc)/dec in Investments	-89.4	-42.0	-46.2	-50.9
(Inc)/dec in Fixed Assets	-28.3	-70.0	-65.0	-60.0
(Inc)/dec in CWIP	-12.3	0.0	0.0	0.0
Others	(11.8)	-	-	-
<b>CF from investing activities</b>	<b>-141.8</b>	<b>-112.0</b>	<b>-111.2</b>	<b>-110.9</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	21.8	-0.4	0.0	0.0
Others	-31.4	-100.2	-117.8	-137.1
<b>CF from financing activities</b>	<b>-9.7</b>	<b>-100.6</b>	<b>-117.8</b>	<b>-137.1</b>
Net Cash flow	103.7	17.7	50.7	75.4
Opening Cash	57.6	161.2	178.9	229.6
<b>Closing Cash</b>	<b>161.2</b>	<b>178.9</b>	<b>229.6</b>	<b>305.0</b>

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
	₹ crore			
(Year-end March)	FY21A	FY22E	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	13.9	13.9	13.9	13.9
Reserve and Surplus	1,491.2	1,677.3	1,896.0	2,150.7
Total Shareholders funds	1,505.1	1,691.1	1,909.9	2,164.6
Total Debt	40.4	40.0	40.0	40.0
Deferred Tax Liability	34.9	34.9	34.9	34.9
Other LT Liabilities	43.2	43.2	43.2	43.2
<b>Total Liabilities</b>	<b>1,623.4</b>	<b>1,809.2</b>	<b>2,027.9</b>	<b>2,282.6</b>
<b>Assets</b>				
Gross Block (Including Goodwill)	716.1	786.1	851.1	911.1
Less: Accu Depreciation	186.4	231.2	278.9	329.9
Net Block	529.7	554.8	572.2	581.2
Capital WIP	18.0	18.0	18.0	18.0
Total Fixed Assets	547.7	572.9	590.2	599.2
Investments	420.4	462.5	508.7	559.6
Inventory	447.9	525.0	610.4	697.5
Debtors	290.9	354.7	406.9	465.0
Loans and Advances	123.9	129.5	133.7	152.7
Other Current Assets	3.5	3.6	3.7	3.8
Cash	161.2	178.9	229.6	305.0
Total Current Assets	1,027.4	1,191.7	1,384.3	1,624.0
Current Liabilities	405.7	451.5	488.7	533.6
Provisions	9.3	9.4	9.5	9.6
Total Current Liabilities	415.0	460.8	498.2	543.2
Net Current Assets	612.4	730.9	886.1	1,080.9
Others Assets	42.9	42.9	42.9	42.9
<b>Application of Funds</b>	<b>1,623.4</b>	<b>1,809.2</b>	<b>2,027.9</b>	<b>2,282.6</b>

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
	₹ crore			
(Year-end March)	FY21A	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	17.5	20.6	24.3	28.2
Cash EPS	20.4	23.9	27.7	31.9
BV	108.5	121.9	137.7	156.1
DPS	4.0	7.2	8.5	9.9
Cash Per Share	11.6	12.9	16.6	22.0
<b>Operating Ratios</b>				
EBITDA Margin (%)	15.0	15.4	15.6	15.8
PBT Margin (%)	14.8	14.8	15.1	15.4
PAT Margin (%)	11.1	11.1	11.3	11.5
Inventory days	74.8	74.0	75.0	75.0
Debtor days	48.5	50.0	50.0	50.0
Creditor days	64.9	65.0	65.0	65.0
<b>Return Ratios (%)</b>				
RoE	16.1	16.9	17.6	18.1
RoCE	18.6	20.5	21.4	22.0
RoIC	29.8	32.5	34.4	36.2
<b>Valuation Ratios (x)</b>				
P/E	54.0	45.8	38.9	33.5
EV / EBITDA	39.7	32.5	27.8	23.9
EV / Net Sales	5.9	5.0	4.3	3.8
Market Cap / Sales	6.0	5.1	4.4	3.9
Price to Book Value	8.7	7.8	6.9	6.1
<b>Solvency Ratios (x)</b>				
Debt/EBITDA	0.1	0.1	0.1	0.1
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.5	2.6	2.8	3.0
Quick Ratio	1.4	1.4	1.6	1.7

Source: Company, ICICI Direct Research

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Sell: < -15%



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