

Retail Equity Research (South India Focus)

TTK Prestige Ltd

Kitchen Appliances

BSE CODE: 517506

NSE CODE: TTKPRESTIG

Bloomberg CODE: TTKPT:IN

SENSEX: 55,469

Buy

12Months Investment period

Rating as per Small Cap

CMP Rs. 793 TARGET Rs. 975 RETURN 23%

(Closing: 02-03-22)



KEY CHANGES:

TARGET ↓

RATING ↑

EARNINGS ↑

Price hike aids strong margins to maintain

TTK Prestige Ltd (TTK), the flagship company of TTK group, mainly operates in the Kitchen Appliances segment. The company has 5 manufacturing plants and a strong distribution network, including 670 Prestige Xclusives.

- We revise our Target to Rs. 975 (from Rs.1,225) factoring moderate revenue growth, but upgrade to Buy due to recent correction in price.
- Q3FY22 revenue grew by 5.5%YoY (-11QoQ) despite high base (24%YoY in Q3FY21) and shifting of Diwali festive sales to Q2FY22 aided by price hike and healthy demand from rural.
- Sharp surge in commodity prices impacts cost of production, but the company has taken necessary price hikes in recent quarters.
- Gross margin improved by 90bps to 42.4% (40.1% QoQ) despite surge in input costs aided by price hike while EBITDA margin maintained at 16.9% Vs 17.0%YoY & 16.7%QoQ.
- TTK targets Rs.50bn revenue by FY25 and has almost doubled its capacity for cookware segment and has significantly expanded distribution in high growth areas.
- Demand outlook is positive given strong thrust of GoI to revive the economy and ongoing vaccination. We value TTK at 35x FY24E EPS.

Revenue growth moderated due to high base.

Q3FY22 consolidated revenue grew by 5.5%YoY (-11%QoQ) despite high base (24%YoY in Q3FY21) and shifting of Diwali festive sales to Q2FY22 aided by price hike and healthy demand from rural. Revenue growth for H1FY22 was 20%YoY. All channels were active during the quarter. TTK has introduced 46 new SKUs during the quarter and has slated for the launch of ~63 new SKUs for Q4FY22 (127 in FY21). TTK targets Rs.50bn revenue by FY25 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). FY22 capex plan is ~Rs.50-100cr. All these initiatives will support market share gains. We expect revenue CAGR of ~16% over FY21-FY24E.

Gross margin improved led by price hike.

Despite sharp surge in raw material prices, Gross margin improved by 90bps YoY to 42.4% (40.1%QoQ) mainly aided by price hike in recent quarters and improved product Mix. EBITDA margin maintained at 16.9% (Vs.17% YoY & 16.7%QoQ). The company took price hike of ~5-7% for Cooker and 7-10% for Appliances in Q3FY22. The input prices have been on uptrend since Q3FY21 and still on higher side. TTK has strong pricing power which helps the company to pass on surge in costs to the consumer. The company does not expect any price hike during Q4FY22.

Export focus continues...

Despite the current logistic issue, exports continued good performance at +44%YoY to 24.5cr (Rs.68.9cr in 9MFY22 Vs. Rs.71cr in FY21). TTK targets doubling its exports in the coming years. Exports contribution has now improved to ~3.4% in 9MFY22 Vs. 2.2% in FY20. ~90% of exports are cookware, and TTK has almost doubled its capacity.

Valuation & Outlook:

GoI's strong thrust to revive the economy and ongoing vaccination will support demand. TTK has strong balance sheet and brand recall. The stock currently trades at ~37x 1Yr Fwd P/E. We value at 35x FY24E EPS (3Yr Avg=38) to arrive at a revised Target of Rs. 975 (Rs.1,225 earlier), but upgrade to Buy due to recent correction in stock price and strong margins.

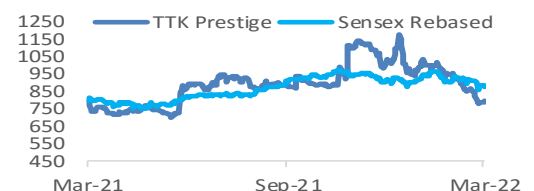
Company Data

Market Cap (Rs.cr)	11,033
Enterprise Value (Rs.cr)	10,735
Outstanding Shares (cr)	13.9
Free Float	30%
Dividend Yield	0.62%
52 week high (Rs.)	1,270
52 week low (Rs.)	682
6m average volume (Lakhs)	0.20
Beta	0.7
Face value Rs.	1

Shareholding %	Q1FY22	Q2FY22	Q3FY22
Promoters	70.4	70.4	70.4
FII's	9.9	9.9	9.6
MFs/Insti	12.8	13.1	13.1
Public	5.2	5.1	5.7
Others	1.7	1.4	1.3
Total	100	100	100
Promotor pledge	0.0%	0.0%	0.0%

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-23.6%	-9.1%	0.1%
Absolute Sensex	-5.1%	-4.6%	10.3%
Relative Return*	-18.5%	-4.5%	-10.2%

*over or under performance to benchmark index



Consolidated (cr)	FY22E	FY23E	FY24E
Sales	2,671	3,050	3,370
Growth (%)	22.1	14.2	10.5
EBITDA	414	470	530
EBITDA Margin (%)	15.5	15.4	15.7
Adj. PAT	293	341	386
Growth (%)	30.9	16.2	13.4
Adj. EPS	21.1	24.6	27.9
Growth (%)	30.9	16.2	13.4
P/E	37.7	32.4	28.6
P/B	6.4	5.5	4.7
EV/EBITDA	25.5	22.1	19.1
ROE (%)	18.1	18.2	17.8
D/E	0.0	0.0	0.0

Vincent Andrews
Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

Rs cr)	Q3FY22	Q2FY21	YoY Growth (%)	Q1FY22	QoQ Growth (%)	9MFY22	9MFY21	YoY Growth (%)
Sales	765	726	5.5%	859	-10.9%	2025	1589	27.4%
EBITDA	129	123	5.1%	143	-9.8%	317	220	44.2%
EBITDA margins %	16.9%	17.0%	910bps	16.7%	100bps	15.6%	13.8%	230bps
Depreciation	11	11	8.0%	11	5.2%	33	30	9.7%
EBIT	118	112	4.8%	132	-11.0%	284	190	49.6%
Interest	2	1	37.1%	2	7.1%	5	3	50.0%
Other Income	5	9	-38.3%	8	-32.6%	22	23	-7.2%
Exceptional Items	0	0	0.0%	0	0.0%	0	0	0.0%
PBT	121	120	1.3%	139	-12.5%	301	210	43.3%
Tax	31	30	2.7%	35	-12.8%	76	53	44.9%
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	91	90	0.8%	104	-12.4%	225	158	42.7%
Adjustments	0	0	0.0%	0	0.0%	0	0	0.0%
Adj PAT	91	90	0.8%	104	-12.4%	225	158	42.7%
No. of Shares	12	12	0.0%	12	0.0%	12	12	0.0%
Adj EPS (Rs)	6.5	7.8	-16.0%	7.5	-12.4%	16.2	13.6	18.9%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	2,758	3,183	2,671	3,050	-3.1%	-4.2%
EBITDA	414	505	414	470	0.0%	-7.0%
Margins (%)	15.0%	15.9%	15.5%	15.4%	50bps	(50bps)
Adj. PAT *	297	368	293	341	-1.3%	-7.5%
EPS	21.4	26.5	21.1	24.6	-1.2%	-7.4%

PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	2,073	2,187	2,671	3,050	3,370
% change	-1.6	5.5	22.1	14.2	10.5
EBITDA	252	321	414	470	530
% change	-13.8	27.6	28.9	13.5	12.8
Depreciation	37	40	44	43	47
EBIT	215	281	370	427	483
Interest	5	5	6	5	4
Other Income	25	29	28	37	40
PBT	234	305	392	458	520
% change	-18.1	30.1	28.7	16.8	13.4
Tax	50	81	99	118	134
Tax Rate (%)	21.3%	26.6%	25.3%	25.7%	25.7%
Reported PAT	185	237	293	341	386
Adj*	0	13	0	0	0
Adj PAT	184	224	293	341	386
% change	-4.1	21.4	30.9	16.2	13.4
No. of shares (cr)	13.9	13.9	13.9	13.9	13.9
Adj EPS (Rs.)	13.3	17.1	21.1	24.6	27.9
% change	-20.1	21.4	30.9	16.2	13.4
DPS (Rs.)	4	4	5	5	5
CEPS (Rs.)	15.9	19.0	24.3	27.7	31.2

CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Net inc. + Depn.	221	264	337	384	433
Non-cash adj.	4	-6	0	0	0
Other adjustments	-27	-8	6	5	4
Changes in W.C	56	-3	-144	-114	-91
C.F. Operation	254	246	199	274	346
Capital exp.	-58	-28	-62	-40	-40
Change in inv.	-141	-170	-70	-100	-200
Other invest.CF	15	21	0	0	0
C.F - Investment	-184	-177	-132	-140	-240
Issue of equity	0	0	0	0	0
Issue/repay debt	-42	-25	-19	-19	-19
Dividends paid	-50	-55	-55	-67	-67
Other finance.CF	-3	-2	-6	-5	-4
C.F - Finance	-96	-82	-80	-90	-89
Chg. in cash	-26	-13	-13	44	17
Closing cash	53	76	63	107	124

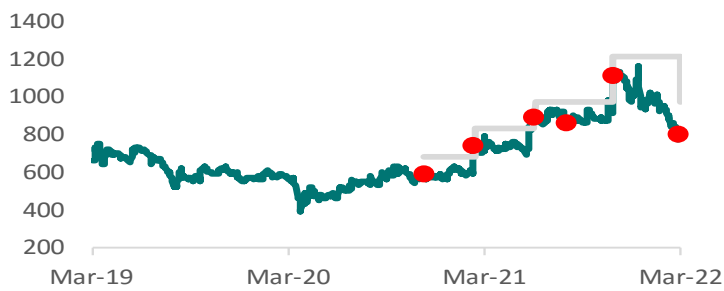
BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	53	76	63	107	124
Accounts Receivable	295	327	366	418	462
Inventories	471	448	553	654	739
Other Cur. Assets	55	161	163	166	174
Investments	331	420	490	590	790
Gross Fixed Assets	580	609	679	719	759
Net Fixed Assets	444	441	467	464	457
CWIP	6	18	10	10	10
Intangible Assets	128	132	132	132	132
Def. Tax (Net)	0	0	0	0	0
Other Assets	35	52	86	100	111
Total Assets	1,818	2,075	2,319	2,630	2,988
Current Liabilities	423	452	486	541	597
Provisions	4	0	2	3	3
Debt Funds	49	84	65	47	28
Other Liabilities	33	35	35	35	35
Equity Capital	14	14	14	14	14
Reserves & Surplus	1,292	1,491	1,717	1,991	2,310
Shareholder's Fund	1,309	1,505	1,731	2,005	2,324
Total Liabilities	1,818	2,075	2,319	2,630	2,988
BVPS (Rs.)	94	108	125	144	168

RATIOS

Y.E March	FY20A	FY21A	FY22E	FY23E	FY24E
Profitab. & Return					
EBITDA margin (%)	12.1	14.7	15.5	15.4	15.7
EBIT margin (%)	10.4	12.9	13.9	14.0	14.3
Net profit mgn.(%)	8.9	10.2	11.0	11.2	11.5
ROE (%)	14.9	15.9	18.1	18.2	17.8
ROCE (%)	11.3	11.3	13.2	13.3	13.2
W.C & Liquidity					
Receivables (days)	53.8	51.9	47.4	46.9	47.6
Inventory (days)	82.9	76.7	68.4	72.2	75.5
Payables (days)	61.8	61.8	58.0	57.2	57.2
Current ratio (x)	2.8	3.1	3.3	3.5	3.8
Quick ratio (x)	0.8	0.9	0.9	1.0	1.0
Turnover & Leverage					
Gross asset T.O (x)	3.9	3.7	4.1	4.4	4.6
Total asset T.O (x)	1.2	1.1	1.2	1.2	1.2
Int. coverage ratio (x)	39.4	55.7	62.0	85.7	129.2
Adj. debt/equity (x)	0.1	0.1	0.0	0.0	0.0
Valuation					
EV/Sales (x)	5.2	4.9	3.9	3.4	3.0
EV/EBITDA (x)	42.6	33.1	25.5	22.1	19.1
P/E (x)	59.8	49.3	37.7	32.4	28.6
P/BV (x)	8.4	7.3	6.4	5.5	4.7

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

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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