

## Revenues upbeat; EBITDA margin miss

**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
- Company over years has maintained its balance sheet strength with strong cash reserves (~₹ 400+ crore) and healthy RoIC of 35%+

**Q1FY23 Results:** TTK Prestige reported mixed operational performance with revenue coming in above our estimates, while EBITDA margins were lower than anticipated.

- On a benign base, revenue grew by 68% YoY to ₹ 600 crore. On a three year CAGR basis, revenue growth stood at steady 11.4%.
- On account of judicious price hikes undertaken, gross margins improved 140 bps QoQ (down 260 bps YoY) to 42.0% (I-direct estimate: 41.5%). However, on account of higher than anticipated other expenses (up 10% QoQ) EBITDA margins moderated to 13.8% (down 250 bps QoQ).
- On the back of a steady operational performance, PAT grew by 112% YoY to ₹ 57.6 crore (three year CAGR: 16.5%).

**What should investors do?** TTK's share price has grown by 1.6x over the past five years. We believe the recent stock price correction (~20% YTD) offers a good entry point as it is currently trading at reasonable valuations (34x/29x EPS of FY23, FY24E, respectively).

- Company's ability to generate strong free cash flows and healthy ROIC, propel us to maintain **BUY** rating on the stock.

**Target Price and Valuation:** We value TTK at ₹ 1130 i.e. 40x 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.
- Company has a healthy pipeline of ~40 SKU's to be launched in Q2FY23 which would propel growth going forward
- Targeting achieving ₹ 5000 crore by FY26 through organic and inorganic route (₹ 1000 crore) We build in revenue and earnings CAGR of 12% and 13% respectively in FY22-24E.

**Alternate Stock Idea:** Apart from TTK, we also like Bata India

- Bata India has a strong b/s, diversified branded product portfolio and pan-India network, which would enable sustained long term profitable growth
- BUY with target price of ₹ 2170



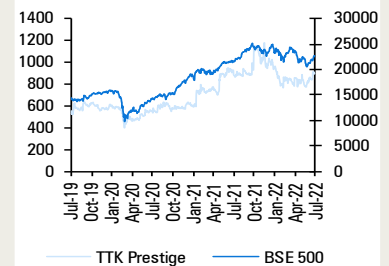
### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	12,344.3
Debt (FY22) (₹ Crore)	39.8
Cash (FY22) (₹ Crore)	404.6
EV (₹ Crore)	11,979.5
52 week H/L	1269 / 748
Equity Capital (₹ Crore)	13.9
Face Value	1.0

### Shareholding pattern

	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	70.4	70.4	70.4	70.4	70.4
FII	9.9	9.9	9.6	9.3	8.9
DII	12.8	13.1	13.1	13.2	13.5
Others	6.9	6.5	6.9	7.1	7.2

### Price Chart



### Recent Event & Key risks

- 25 new SKUs launched in Q1FY23
- **Key Risk:** (i) Re-imposition in lockdown can lower sales (ii) Input cost inflation can subdue margins

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### Key Financial Summary

Financials	FY19	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Net Sales	2,106.9	2,073.0	2,186.9	2,722.5	9.3%	3,067.7	3,428.4	12.2%
EBITDA	292.0	263.5	327.3	425.9	15.0%	461.6	538.8	12.5%
PAT	192.4	184.5	242.9	305.4	15.0%	334.7	390.2	13.0%
EPS (₹)	13.9	13.3	17.5	22.0		24.1	28.1	
P/E (x)	64.2	66.9	50.8	40.4		36.9	31.6	
EV/Sales (x)	5.8	5.9	5.6	4.4		3.9	3.5	
EV/EBITDA (x)	42.2	46.7	37.3	28.1		26.0	22.1	
RoCE (%)	21.8	17.1	18.6	21.6		20.8	21.7	
RoE (%)	16.5	14.1	16.1	17.7		17.2	17.7	

## Key conference call takeaways

- TTK Prestige reported resilient performance with a strong growth in Q1FY23. On a favourable base, revenue grew by 68% YoY to ₹ 600 crore (I-direct estimate: ₹ 558 crore). On a three year CAGR basis, revenue growth stood at steady 11.4%. Amongst categories, on a three year CAGR basis cookware grew at the fastest rate by 18% (53% YoY), followed by cooker which grew at 11.5% (87% YoY) and appliances segment by 9% (59% YoY). During the quarter all distribution channels were active. Trajectory for exports tamed down owing to geo-political tension in global markets. Domestic sales grew by 71% YoY to ₹ 577 crore, while exports grew by 9% YoY to ₹ 22.3 crore.
- The management indicated that inflation pressure was felt the most on entry-level priced categories and lower on mid to premium ranged products. All channels were active during the quarter and sales mix was similar like the previous quarter. Company introduced 25 new SKU's across categories and new launches have gained traction especially in the grinding appliances segment.
- On account of judicious price hikes undertaken, gross margins improved 140 bps QoQ (down 260 bps YoY) to 42.0% (I-direct estimate: 41.5%). However, on account of higher than anticipated other expenses (up 10% QoQ) EBITDA margins moderated to 13.8% (down 250 bps QoQ) vs. I-direct estimate: 15.0%. Absolute EBITDA grew 112% YoY to ₹ 83.0 crore (I-direct estimate: ₹ 83.7 crore, three-year CAGR: 14%).
- The management indicated that commodity prices softened by the end of the quarter (steel and aluminium prices have corrected 20% and 35% in past three months), though the positive impact will only be felt by end of Q3 as company carries high cost inventory. Company expects to maintain EBITDA margins in the range of 15-16% through improvement in efficiencies for FY23E.
- The management expects growth trajectory to slowdown in Q2FY23 (flattish to early single digit) on account of significantly higher base. However, it expects growth rates to improve in H2FY23. Driven by new product launches and consistent efforts to enhance market penetration, we expect TTK to deliver 12% revenue CAGR in FY22-24E. We expect cookware and appliances segment to grow at a faster pace (16%/14% CAGR).

### Q1FY23 conference call highlights:

- On the cost front, commodity prices softened to some extent by end of the quarter though inflation on other items like rubber, oil based raw materials and paper continue to be at elevated levels. The management indicated that impact of the softened commodity prices will only be felt by end of Q3FY23 as the company has some high cost inventory.
- The management indicated that the premium category is expected to grow faster than the mass category as mass segment was very price sensitive and recent hike in prices could impact the volume growth for the mass segment
- On the competition front, the management expects the competitive intensity to remain high. It expects competition in non-south regions to increase due to acquisition of Butterfly Gandhimathi (BGAL) by Crompton Greaves Consumer Electronics (CGCEL).
- With the pandemic effect fading and customers preferring to shop in physical stores the revenue share of E-commerce has come down from peak pandemic levels. The E-commerce revenue share for Q1FY23 is ~ 15%. The management indicated that E-commerce revenue share is likely to stay in the range of 15-20% over the longer term.

- On the capex front, the management highlighted that it is planning a capital expenditure of ₹ 60 crore in FY23. The capex would be deployed for expansion of retail store, expansion of manufacturing capacity of pressure cookers and cookware and automation of certain processes across the organisation.
- TTK's international subsidiary Horwood achieved a sale of £3.1 million during Q1FY23 vs £4.3 million in Q1FY22. The business was negatively impacted as currently UK & Europe is going through a recession and steep inflation due to the ongoing geo-political crisis coupled with UK's own political issues. Operating EBITDA for Q1FY23 stood at £(0.33) million vs £0.47 million in Q1FY22. The decline in profitability has been caused due to economic recession, increase in key commodity price and global supply chain issues and reduced operating leverage due to lower sales. TTK is planning to expand the customer base of Horwood and looking to enter into newer geographies like USA and find new avenues of growth to shore up the revenues.
- Prestige Xclusive chain strength stood at 666 stores in 377 towns contributing significantly to total sales
- On the future growth outlook front, the management highlighted that the continued hybrid mode of working in many of the service industries is expected to support the home and kitchen appliances segment. Also softening of the commodity prices from the end of Q1FY23 is expected to lend support to growth aspirations of the company in terms of revenues and maintaining steady margins.

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Revenue	599.7	557.9	356.9	68.0	647.6	-7.4	Domestic revenue grew 71% YoY, while exports grew 9% YoY
Other Income	6.7	14.0	8.3	-19.7	13.3	-50.0	
Employee Expenses	50.1	49.1	45.5	10.1	48.6	3.0	
Raw Material Expenses	347.9	326.3	197.9	75.8	384.6	-9.6	Gross margins declined on a YoY basis owing to higher commodity prices
Other Expenses	118.8	98.7	74.5	59.5	108.5	9.5	
EBITDA	83.0	83.7	39.1	112.3	105.8	-21.6	
EBITDA Margin (%)	13.8	15.0	10.9	288 bps	16.3	-251 bps	On a three year CAGR basis, EBITDA grew by 14%
Depreciation	10.8	11.3	9.8	11.0	10.9	-1.0	
Interest	1.1	0.9	1.0	13.3	0.8	35.4	
Extraordinary (expense)/Income	0.0	0.0	0.0	NA	0.0	NA	
PBT	77.7	85.5	36.6	112.1	107.4	-27.7	
Tax Outgo	20.0	21.8	9.4	113.0	28.2	-29.0	
PAT	57.6	63.7	27.2	111.8	79.1	-27.2	

Key Metrics

Segment Revenue (₹)							
Cookers	194.0	171.6	104.0	86.5	218.8	-11.3	
Cookware	105.6	102.0	68.9	53.3	95.3	10.8	
Appliances	272.0	266.3	170.7	59.3	306.3	-11.2	

Source: Company, ICICI Direct Research

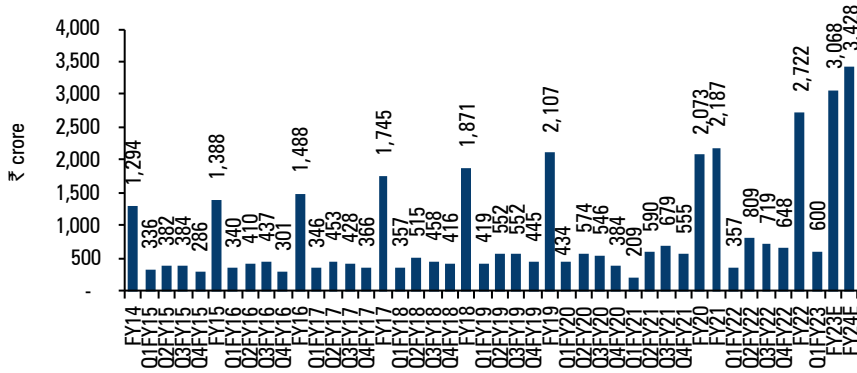
Exhibit 2: Change in estimates

(₹ Crore)	FY22	FY23E			FY24E		
	Actual	Old	New	% Change	Old	New	% Change
Revenue	2,722.5	3,082.2	3,067.7	-0.5	3,459.3	3,428.4	-0.9
EBITDA	425.9	473.1	461.6	-2.4	543.9	538.8	-0.9
EBITDA Margin (%)	15.6	15.3	15.0	-30 bps	15.7	15.7	-1 bps
PAT	305.4	343.5	334.7	-2.6	394.3	390.2	-1.0
EPS (₹)	22.0	24.8	24.1	-2.7	28.4	28.1	-0.9

Source: Company, ICICI Direct Research

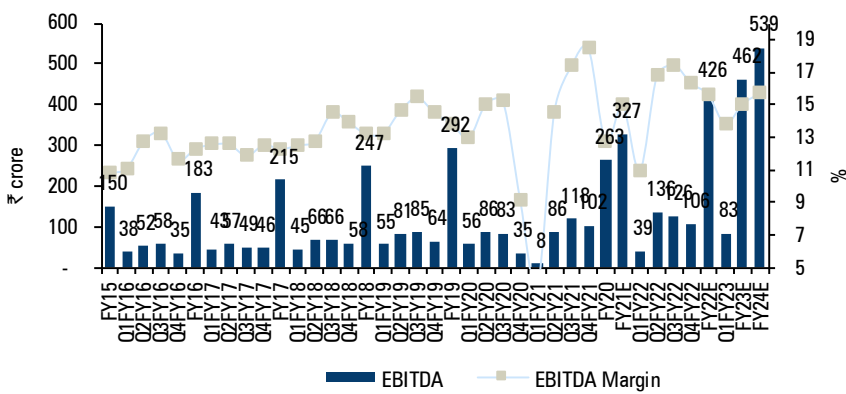
Financial story in charts....

Exhibit 3: Revenue trend



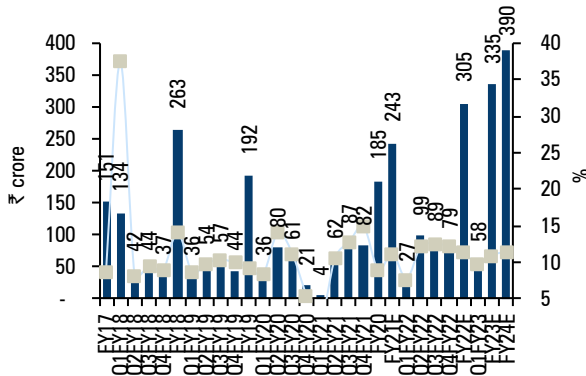
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA trend



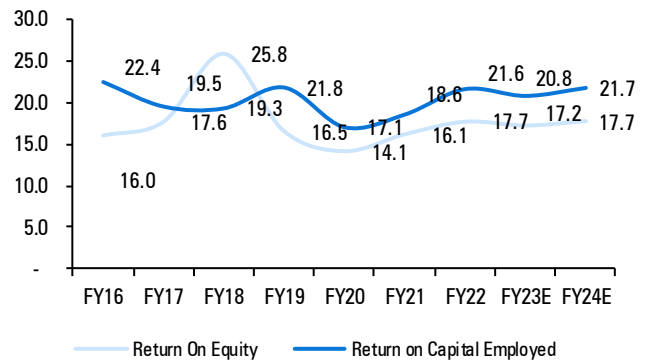
Source: Company, ICICI Direct Research

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)	13.3	-4.1	66.9	46.7	14.1	17.1
FY21	2,186.9	5.5	17.5	31.6	50.8	37.3	16.1	18.6
FY22	2,722.5	24.5	22.0	25.7	40.4	28.1	17.7	21.6
FY23E	3,067.7	12.7	24.1	9.6	36.9	26.0	17.2	20.8
FY24E	3,428.4	11.8	28.1	16.6	31.6	22.1	17.7	21.7

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Total operating Income</b>	<b>2,186.9</b>	<b>2,722.5</b>	<b>3,067.7</b>	<b>3,428.4</b>
Growth (%)	5.5	24.5	12.7	11.8
Raw Material Expenses	1,268.9	1,594.9	1,817.7	1,994.8
Employee Expenses	191.2	218.7	239.3	277.7
Manufacturing & other exp	399.6	483.0	549.1	617.1
Total Operating Expenditure	1,859.7	2,296.6	2,606.1	2,889.6
<b>EBITDA</b>	<b>327.3</b>	<b>425.9</b>	<b>461.6</b>	<b>538.8</b>
Growth (%)	24.2	30.1	8.4	16.7
Depreciation	40.0	44.2	48.8	52.3
Interest	5.1	6.2	5.2	6.0
Other Income	28.7	35.1	39.9	41.1
Exceptional Income	11.9	0.0	0.0	0.0
PBT	322.9	410.6	447.5	521.7
Growth (%)	37.7	27.2	9.0	16.6
Total Tax	80.0	105.2	112.8	131.5
<b>PAT</b>	<b>242.9</b>	<b>305.4</b>	<b>334.7</b>	<b>390.2</b>
Growth (%)	31.6	25.7	9.6	16.6
<b>EPS (₹)</b>	<b>17.5</b>	<b>22.0</b>	<b>24.1</b>	<b>28.1</b>

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
PAT	242.9	305.4	334.7	390.2
Add: Depreciation	40.0	44.2	48.8	52.3
(Inc)/dec in Current Assets	-31.5	-184.8	-170.7	-114.7
Inc/(dec) in CL and Provisions	3.7	140.4	-14.2	-16.6
Others	-	-	-	-
<b>CF from operating activities</b>	<b>255.1</b>	<b>305.2</b>	<b>198.6</b>	<b>311.3</b>
(Inc)/dec in Investments	-89.4	64.8	-35.6	-39.1
(Inc)/dec in Fixed Assets	-28.3	-60.4	-65.0	-60.0
(Inc)/dec in CWIP	-12.3	11.4	0.0	0.0
Others	(11.8)	(7.8)	-	-
<b>CF from investing activities</b>	<b>-141.8</b>	<b>8.0</b>	<b>-100.6</b>	<b>-99.1</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	21.8	-0.6	0.2	0.0
Others	-31.4	-69.2	-117.2	-136.6
<b>CF from financing activities</b>	<b>-9.7</b>	<b>-69.8</b>	<b>-117.0</b>	<b>-136.6</b>
Net Cash flow	103.7	243.4	-18.9	75.6
Opening Cash	57.6	161.2	404.6	385.7
<b>Closing Cash</b>	<b>161.2</b>	<b>404.6</b>	<b>385.7</b>	<b>461.3</b>

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	13.9	13.9	13.9	13.9
Reserve and Surplus	1,491.2	1,715.7	1,933.3	2,186.9
Total Shareholders funds	1,505.1	1,729.6	1,947.2	2,200.8
Total Debt	40.4	39.8	40.0	40.0
Deferred Tax Liability	34.9	37.2	37.2	37.2
Other LT Liabilities	43.2	52.5	52.5	52.5
<b>Total Liabilities</b>	<b>1,623.4</b>	<b>1,859.1</b>	<b>2,076.9</b>	<b>2,330.5</b>
<b>Assets</b>				
Gross Block (Including Goodwill)	716.1	776.4	841.4	901.4
Less: Accu Depreciation	186.4	230.6	279.4	331.6
Net Block	529.7	545.9	562.1	569.8
Capital WIP	18.0	6.6	6.6	6.6
Total Fixed Assets	547.7	552.5	568.7	576.4
Investments	420.4	355.6	391.2	430.3
Inventory	447.9	585.6	655.6	704.5
Debtors	290.9	329.7	420.2	469.6
Loans and Advances	123.9	127.9	138.0	154.3
Other Current Assets	3.5	7.8	7.9	8.0
Cash	161.2	404.6	385.7	461.3
Total Current Assets	1,027.4	1,455.6	1,607.4	1,797.7
Current Liabilities	405.7	543.8	529.5	512.8
Provisions	9.3	11.6	11.7	11.8
Total Current Liabilities	415.0	555.4	541.2	524.6
Net Current Assets	612.4	900.2	1,066.2	1,273.1
Others Assets	42.9	50.8	50.8	50.8
<b>Application of Funds</b>	<b>1,623.4</b>	<b>1,859.1</b>	<b>2,076.9</b>	<b>2,330.5</b>

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	17.5	22.0	24.1	28.1
Cash EPS	20.4	25.2	27.7	31.9
BV	108.5	124.7	140.4	158.7
DPS	4.0	5.5	8.4	9.8
Cash Per Share	11.6	29.2	27.8	33.3
<b>Operating Ratios</b>				
EBITDA Margin (%)	15.0	15.6	15.0	15.7
PBT Margin (%)	14.8	15.1	14.6	15.2
PAT Margin (%)	11.1	11.2	10.9	11.4
Inventory days	74.8	78.5	78.0	75.0
Debtor days	48.5	44.2	50.0	50.0
Creditor days	64.9	89.1	75.0	65.0
<b>Return Ratios (%)</b>				
RoE	16.1	17.7	17.2	17.7
RoCE	18.6	21.6	20.8	21.7
RoIC	29.8	37.8	34.1	36.1
<b>Valuation Ratios (x)</b>				
P/E	50.8	40.4	36.9	31.6
EV / EBITDA	37.3	28.1	26.0	22.1
EV / Net Sales	5.6	4.4	3.9	3.5
Market Cap / Sales	5.6	4.5	4.0	3.6
Price to Book Value	8.2	7.1	6.3	5.6
<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	3.0	3.4
Quick Ratio	1.4	1.6	1.8	2.1

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: < -15%



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