

# Retail Equity Research

## TTK Prestige Ltd.

Kitchen Appliances

BSE CODE: 517506

NSE CODE: TTKPRESTIG

Bloomberg CODE: TTKPT:IN

SENSEX: 58,075

**BUY**

12Months Investment Period

Rating as per Small Cap

CMP Rs. 695 TARGET Rs. 857 RETURN 23%

(Closing: 21-03-23)



KEY CHANGES:

TARGET ↓

RATING ↑

EARNINGS ↓

### Margins to recover as input prices eased...

TTK Prestige Ltd (TTK), the flagship company of the TTK group, mainly focuses on the kitchen appliances segment. The company operates five manufacturing plants and has strong distribution networks.

- We revise our target price to Rs. 857 (from Rs.1,025), factoring lower volumes and margins, but upgrade to BUY rating due to lower valuation.
- Revenue declined by 9%YoY in Q3FY23 due to tepid demand amidst inflation and a shift in festival season. For 9MFY23, growth was 7%YoY.
- Operating margin declined by 550bps YoY to 11.4%. Margin pressure is expected to reduce in the coming quarters as input prices declined.
- Ultrafresh, the recently acquired modular kitchen business has recorded a sale of Rs.17.6cr in 9MFY23. TTK has added 52 new stores (total 134 stores now) and expects ~ Rs200cr in the next 3-4 years.
- TTK aims to increase revenue to Rs.50bn by FY27 through organic & inorganic routes. TTK has doubled its capacity for the cookware segment and has significantly expanded its distribution networks.
- Expect Revenue/PAT to grow at 10%/17% CAGR over FY23E-FY24E. We value TTK at 33x FY25E EPS (5Yr avg=37).

### Revenue declined due to tepid demand post festival and inflation.

For Q3FY23, consolidated revenue declined by 9%YoY (+7%YoY in 9MFY23) due to tepid demand amidst inflationary pressure and shift in festival season. Export business declined by 37% YoY to Rs.15.5cr due to inflationary pressure in global markets. The UK subsidiary (contributes ~6% to total revenue) reported revenue de-growth of 8% YoY (-31% in Q2FY23) due to steep inflationary pressure and geo-political issues. TTK has introduced 27 new SKUs during the quarter (16 QoQ) and has slated for the launch of ~47 new SKUs for Q4FY23. TTK targets Rs.50bn revenue by FY27 (from Rs. 27bn in FY22), through organic (Rs. 40bn including exports of Rs. 5bn) and inorganic (Rs. 10bn) routes. TTK has almost doubled its capacity in the cooker segment, along with significant expansion in its distribution network in high growth areas. The company targets to add ~100 stores a year in the next 3 years (currently 672 stores in 371 towns). All these initiatives will support market share gains. We believe the easing of inflationary pressure will support demand going forward, and we expect revenue CAGR of ~10% over FY23E-FY24E.

### Decline in input prices will benefit margins going forward.

EBITDA margin declined by 550bps YoY to 11.4% due to input price inflation. TTK had taken price hikes in the range of ~5%-6% for cookers & cookware, 8%-10% in appliances segments in FY22 to compensate for sharp surge in input costs and there were no price hikes in FY23. Input prices have fallen sharply in recent quarters, which is expected to benefit from 4QFY23 onwards.

### Exports revenue declined due to inflationary pressure on demand

Export revenue declined by 37%YoY to 15.5cr (Rs.98cr/Rs.71cr in FY22/FY21 respectively) due to current global inflationary pressure on demand. The export contribution declined to 2.5% in 9MFY23 Vs ~3.9%/3.5% in FY22/FY21 which is expected to recover as the global inflation eases.

### Valuation & Outlook:

Barring short-term pressure on demand and margins due to high inflation, the long-term outlook is positive given rising middle-income households, improvement in the real estate sector, and easing input prices, along with TTK's strong brand recall. The stock currently trades at ~28x 1Yr Fwd P/E. We value TTK at 33x FY25E EPS to arrive at a revised target of Rs. 857, upgrade to BUY rating due to the correction in valuation.

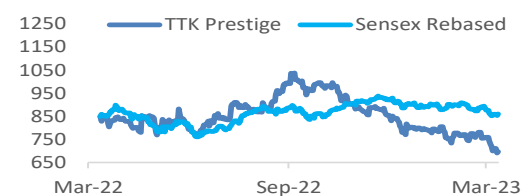
### Company Data

Market Cap (Rs.cr)	9,633
Enterprise Value (Rs.cr)	9,312
Outstanding Shares (cr)	13.9
Free Float	27%
Dividend Yield	0.50%
52 week high (Rs.)	1,051
52 week low (Rs.)	666
6m average volume (Lakhs)	1.07
Beta	0.8
Face value Rs.	1

Shareholding (%)	Q1FY23	Q2FY23	Q3FY23
Promoters	70.4	70.4	70.4
FII's	8.9	8.8	8.8
MFs/Institutions	13.5	14.0	13.1
Public	6.1	6.2	6.1
Others	1.1	0.7	1.5
Total	100.0	100.0	100.0
Promotor pledge	NIL	NIL	NIL

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-13.7%	-30.5%	-17.9%
Absolute Sensex	-4.9%	-1.8%	1.4%
Relative Return*	-8.8%	-28.8%	-19.3%

\*over or under performance to benchmark index



Consolidated (cr)	FY23E	FY24E	FY25E
Sales	2,898	3,215	3,515
Growth (%)	6.5	10.9	9.3
EBITDA	373	447	505
EBITDA Margin (%)	12.9	13.9	14.4
Adj. PAT	265	318	360
Growth (%)	-13.3	20.2	13.2
Adj. EPS	19.1	23.0	26.0
Growth (%)	-13.3	20.2	13.2
P/E	36.4	30.3	26.8
P/B	5.0	4.5	3.9
EV/EBITDA	25.0	20.6	17.8
ROE (%)	14.5	15.6	15.6
D/E	0.0	0.0	0.0

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Research Analyst



## Quarterly Financials (Consolidated)

### Profit & Loss

Rs cr)	Q3FY23	Q3FY22	YoY Growth	Q2FY23	QoQ Growth	9MFY23	9MFY22	YoY Growth
Sales	695	765	-9.2%	842	-17.5%	2,166	2,025	7.0%
EBITDA	79	129	-38.8%	118	-32.8%	276	317	-12.8%
EBITDA margins	11.4%	16.9%	(550)bps	14.0%	(260)bps	12.7%	15.6%	(290)bps
Depreciation	13	11	10.5%	12	2.6%	37	33	12.7%
EBIT	66	118	-43.6%	105	-36.9%	239	284	-15.8%
Interest	2	2	29.8%	1	190.1%	5	5	3.8%
Other Income	13	5	147.3%	9	55.9%	29	22	32.4%
Exceptional Items	0	0	0.0%	0	0.0%	0	0	0.0%
PBT	77	121	-36.2%	113	-31.5%	263	301	-12.6%
Tax	20	31	-35.3%	29	-32.0%	68	76	-10.4%
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	58	91	-36.5%	84	-31.3%	195	225	-13.4%
Adjustments	0	0	0.0%	0	0.0%	0	0	0.0%
Adj PAT	58	91	-36.5%	84	-31.3%	195	225	-13.4%
No. of Shares	12	12	0.0%	12	0.0%	12	12	0.0%
Adj EPS (Rs)	4.2	6.5	-36.5%	6.0	-31.3%	14.0	16.2	-13.4%

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	3,025	3,357	2,898	3,215	-4.2%	-4.2%
EBITDA	403	483	373	447	-7.5%	-7.5%
Margins	13.3%	14.4%	12.9%	13.9%	(50bps)	(50bps)
Adj. PAT *	285	346	265	318	-7.1%	-8.1%
EPS	20.5	25.0	19.1	23.0	-6.9%	-8.2%

**PROFIT & LOSS**

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>2,073</b>	<b>2,194</b>	<b>2,722</b>	<b>2,898</b>	<b>3,215</b>	<b>3,515</b>
% change	-1.6	5.8	24.1	6.5	10.9	9.3
<b>EBITDA</b>	<b>252</b>	<b>321</b>	<b>426</b>	<b>373</b>	<b>447</b>	<b>505</b>
% change	-13.8	27.6	32.6	-12.5	19.9	13.1
Depreciation	37	40	44	48	51	58
<b>EBIT</b>	<b>215</b>	<b>281</b>	<b>382</b>	<b>325</b>	<b>396</b>	<b>448</b>
Interest	5	5	6	6	6	5
Other Income	25	29	35	37	39	42
<b>PBT</b>	<b>234</b>	<b>305</b>	<b>411</b>	<b>356</b>	<b>428</b>	<b>485</b>
% change	-18.1	30.1	34.7	-13.2	20.2	13.2
Tax	50	81	105	92	110	125
Tax Rate	21.3%	26.6%	25.6%	25.7%	25.7%	25.7%
<b>Reported PAT</b>	<b>185</b>	<b>237</b>	<b>305</b>	<b>265</b>	<b>318</b>	<b>360</b>
Adj*	0	13	0	0	0	0
<b>Adj PAT</b>	<b>184</b>	<b>224</b>	<b>305</b>	<b>265</b>	<b>318</b>	<b>360</b>
% change	-4.1	21.4	36.4	-13.3	20.2	13.2
No. of shares (cr)	13.9	13.9	13.9	13.9	13.9	13.9
<b>Adj EPS (Rs.)</b>	<b>13.3</b>	<b>17.1</b>	<b>22.0</b>	<b>19.1</b>	<b>23.0</b>	<b>26.0</b>
% change	-20.1	21.4	36.4	-13.3	20.2	13.2
DPS (Rs.)	4	4	5	5	5	5
CEPS (Rs.)	15.9	19.0	25.2	22.5	26.6	30.1

**CASH FLOW**

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Net inc. + Depn.</b>	<b>221</b>	<b>264</b>	<b>350</b>	<b>312</b>	<b>369</b>	<b>418</b>
Non-cash adj.	4	-6	2	0	0	0
Other adjustments	-27	4	2	6	6	5
Changes in W.C	56	-50	-80	-139	-109	-52
<b>C.F. Operation</b>	<b>254</b>	<b>212</b>	<b>273</b>	<b>180</b>	<b>267</b>	<b>371</b>
Capital exp.	-58	-28	-42	-113	-80	-70
Change in inv.	-141	-89	63	50	-100	-200
Other invest.CF	15	-66	-244	0	0	0
<b>C.F - Investment</b>	<b>-184</b>	<b>-184</b>	<b>-223</b>	<b>-63</b>	<b>-180</b>	<b>-270</b>
Issue of equity	0	0	0	0	0	0
Issue/repay debt	-42	-25	-12	-19	-9	-9
Dividends paid	-50	-55	-76	-76	-76	-76
Other finance.CF	-3	-2	-2	-6	-6	-5
<b>C.F - Finance</b>	<b>-96</b>	<b>-82</b>	<b>-91</b>	<b>-101</b>	<b>-91</b>	<b>-90</b>
Chg. in cash	-26	-55	-41	15	-4	11
Closing cash	53	76	58	74	69	81

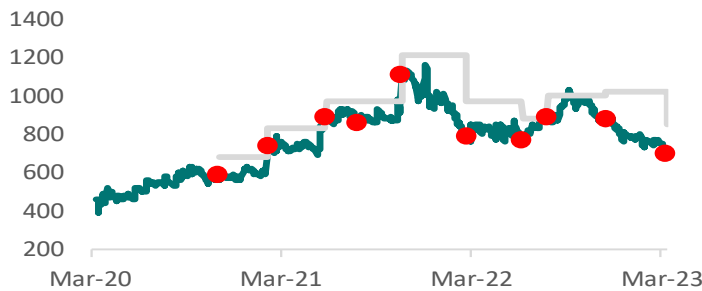
**BALANCE SHEET**

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Cash	53	76	58	74	69	81
Accounts Receivable	295	327	367	397	440	481
Inventories	471	448	586	636	716	769
Other Cur. Assets	55	161	425	423	431	434
Investments	331	420	356	306	406	606
Gross Fixed Assets	580	609	675	785	865	935
Net Fixed Assets	444	441	462	524	553	565
CWIP	6	18	7	10	10	10
Intangible Assets	128	132	135	135	135	135
Def. Tax (Net)	0	0	1	1	1	1
Other Assets	35	52	57	95	106	116
<b>Total Assets</b>	<b>1,818</b>	<b>2,075</b>	<b>2,452</b>	<b>2,600</b>	<b>2,867</b>	<b>3,197</b>
Current Liabilities	423	452	592	568	601	656
Provisions	4	0	1	2	3	3
Debt Funds	49	84	92	74	65	57
Other Liabilities	33	35	38	38	38	38
Equity Capital	14	14	14	14	14	14
Reserves & Surplus	1,292	1,491	1,716	1,904	2,146	2,430
Shareholder's Fund	1,309	1,505	1,730	1,918	2,160	2,444
<b>Total Liabilities</b>	<b>1,818</b>	<b>2,075</b>	<b>2,452</b>	<b>2,600</b>	<b>2,867</b>	<b>3,197</b>
<b>BVPS (Rs.)</b>	<b>94</b>	<b>108</b>	<b>124</b>	<b>138</b>	<b>155</b>	<b>176</b>

**RATIOS**

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Profitab. &amp; Return</b>						
EBITDA margin (%)	12.1	14.6	15.6	12.9	13.9	14.4
EBIT margin (%)	10.4	12.8	14.0	11.2	12.3	12.7
Net profit mgn.(%)	8.9	10.2	11.2	9.1	9.9	10.2
ROE (%)	14.9	15.9	18.9	14.5	15.6	15.6
ROCE (%)	11.3	11.3	13.6	10.6	11.4	11.5
<b>W.C &amp; Liquidity</b>						
Receivables (days)	53.8	51.7	46.6	48.1	47.5	47.9
Inventory (days)	82.9	76.4	69.3	76.9	76.7	77.1
Payables (days)	61.8	61.4	71.1	76.6	64.3	62.3
Current ratio (x)	2.8	3.1	2.8	2.9	3.1	3.3
Quick ratio (x)	0.8	0.9	0.7	0.8	0.8	0.8
<b>Turnover &amp; Leverage</b>						
Gross asset T.O (x)	3.9	3.7	4.2	4.0	3.9	3.9
Total asset T.O (x)	1.2	1.1	1.2	1.1	1.2	1.2
Int. coverage ratio (x)	39.4	55.7	61.4	50.7	63.5	85.8
Adj. debt/equity (x)	0.1	0.1	0.1	0.0	0.0	0.0
<b>Valuation</b>						
EV/Sales (x)	4.5	4.2	3.4	3.2	2.9	2.6
EV/EBITDA (x)	37.1	28.7	21.9	25.0	20.6	17.8
P/E (x)	52.2	43.0	31.5	36.4	30.3	26.8
P/BV (x)	7.4	6.4	5.6	5.0	4.5	3.9

## Recommendation Summary-(Last 3 Years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
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
09-Aug-22	Accumulate	1,028
24-Nov-22	Accumulate	1,025
22-March-23	Buy	857

## 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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