

TTK Prestige

Performance Update

Y/E March (₹ cr)	Q3FY18	Q3FY19	YoY %	Q2FY19	QoQ%
Net sales	458.0	552.0	20.5%	552.3	0.0%
EBITDA	66	85	28.3%	81	5.3%
EBITDA margin (%)	14.5%	15.5%		14.7%	
Adjusted PAT	43.7	56.8	30.2%	53.8	5.7%

For Q3FY2019, TTK Prestige (TTK) posted decent performance with 20.5%/30% yoy growth in revenue/ PAT led by 100 bps expansion led by robust growth across various product categories specially appliances and cookware.

Revenue rose 7.2%: Q3's top-line increase was also due to low base effect where last year, third quarter was little subdued after strong GST restocking happened in Q2FY2018. Overall, cookers segment grew by 14% and appliances segment grew by 29% yoy while cookware sales grew by 29% yoy. It sales is likely to remain buoyant driven by the strong new LPG connection under Ujjawala scheme and newly launched category like cleaning solutions and exports.

Margins improved by 100 bps: Its margin were the highest in the past at least 12 quarters at 15.5% due to better product mix, lower outsourcing and operating leverage. The company expects to maintain 14-15% margin profile on the back of improving product mix and distribution network.

Outlook and Valuation: We have maintained our earnings estimates in view of robust revenue outlook and stable operating margin in view of robust M9 performance. We expect TTK to report a CAGR of ~16%/23% in revenue/ earnings over FY18-20E. The stock is currently trading at 36x its FY2020 earnings. After our initiation in August 2018, the stock has given decent appreciation of 22% and now looks fairly valued. Hence, we maintain Accumulate and target price of ₹8200 (38x FY2020E EPS).

Key Financials

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Net Sales	1,559	1,837	1,982	2,254	2,649
% chg	12.3	17.8	7.9	13.8	17.5
Net Profit	115.6	150.7	164.5	205.5	247.1
% chg	25.2	30.3	9.2	24.9	20.3
OPM (%)	11.8	11.4	12.7	14.1	14.3
EPS (Rs)	100.0	130.3	142.3	177.8	213.8
P/E (x)	76.7	58.9	53.9	43.1	35.9
P/BV (x)	9.4	7.9	6.6	5.7	4.9
RoE (%)	16.0	17.6	16.1	17.3	17.8
RoCE (%)	22.4	19.0	19.6	22.0	22.7
EV/Sales (x)	5.6	4.8	4.4	3.8	3.2
EV/EBITDA (x)	47.9	42.1	34.7	27.2	22.7

Source: Company, Angel Research

Accumulate

CMP	₹7,671
Target Price	₹8,200

Investment Period 12 Months

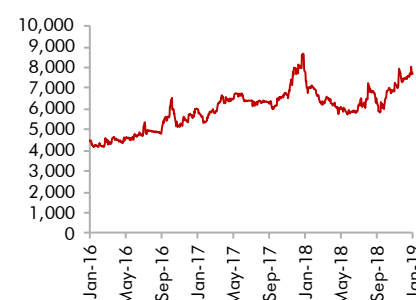
Stock Info

Sector	Kitchen Appliances
Market Cap (₹ cr)	8,867
Net Debt (₹ cr)	-
Beta	0.7
52 Week High / Low	8100/5500
Avg. Daily Volume	2,489
Face Value (₹)	10
BSE Sensex	35,593
Nifty	10,652
Reuters Code	TTKL.BO
Bloomberg Code	TTKPT.IN

Shareholding Pattern (%)

Promoters	70.4
MF / Banks / Indian FIs	9.6
FII / NRIs / OCBs	8.9
Indian Public / Others	11.2

Price Chart



Source: Company, Angel Research

Nidhi Agrawal

022 – 3935 7800 Ext: 6872

nidhi.agrawal@angelbroking.com

Exhibit 1: Q3FY2019 Performance

In ₹ Cr	Q3FY18	Q2FY19	Q3FY19	YOY Growth	QoQ growth	M9FY18	M9FY19	YOY
Total Income	458	552	552	20.5%	0.0%	1330	1523	14.5%
Total Expenditure	392	471	467	19.2%	-1.0%	1,153	1,301	12.9%
Raw Material Consumed	100	125	129	29.3%	2.8%	299	368	23.2%
Stock Adjustment	-31	18	-49	57.9%	-378.1%	7	-35	-615.0%
Purchase of Finished Goods	193	176	235	21.6%	33.1%	466	540	16.0%
COGS	262	319	315	20.3%	-1.3%	771	873	13.2%
Employee Expenses	34	40	44	30.0%	9.9%	98	122	24.4%
Other Expenses	95	112	107	12.5%	-3.9%	284	306	8.0%
Total Expenditure	392	471	467	19.2%	-1.0%	1153	1301	12.9%
EBITDA	66.5	81.0	85.3	28.3%	5.3%	177.0	221.7	25.3%
Other Income	3.7	6.4	6.6	80.8%	2.5%	136.8	17.7	-87.0%
Interest	0.5	0.7	0.5	15.2%	-19.7%	1.4	1.5	7.1%
PBDT	69.7	86.8	91.4	31.2%	5.3%	312.4	238.0	-23.8%
Depreciation	6.2	6.5	6.5	5.3%	0.2%	18.6	19.3	3.8%
PBT	63.5	80.3	84.9	33.7%	5.7%	293.9	218.7	-25.6%
Tax	19.8	26.5	28.0	41.4%	5.8%	74.4	72.2	-2.9%
Reported Profit After Tax	43.7	53.8	56.8	28.4%	5.7%	219.5	146.5	-33.2%
Extra-ordinary Items						102.2		
Adjusted PAT	43.7	53.8	56.8	28.4%	5.7%	117.3	146.5	24.9%
Ratios								
EBITDA margin (%)	14.5%	14.7%	15.5%			13.3%	14.6%	
PAT margin %	9.5%	9.7%	10.3%			16.5%	9.6%	
Tax rate %	31.2%	33.0%	33.0%			25.3%	33.0%	

Source: Company, Angel Research

Risks to our estimates

Abrupt fluctuations in its primary raw materials- Aluminum and steel whose prices are linked to global commodity prices. Although the company has been able to pass on the increase in raw material prices to consumers in the past owing to a strong brand, any failure to do so in the future can adversely impact operating margins.

Foreign exchange movement- The company imports raw materials and finished goods from outside India as well as makes export sales to countries outside the territories in which they operate from which exposes it to foreign currency risk. Foreign currency exchange risks are managed by entering into forward contracts against foreign currency vendor payables.

Excessive competition/ pricing war – TTK is competing with many different players in different category. Many foreign players are also entering Indian markets which could lead aggressive competition, pricing war. So far, TTK has gained market share from its competition over the years with its innovative culture and growth strategies.

Profit & Loss Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Total operating income	1,559	1,837	1,982	2,254	2,649
% chg	12.3	17.8	7.9	13.8	17.5
Total Expenditure	1,376	1,627	1,731	1,936	2,271
Raw Material	931	1,085	1,124	1,274	1,492
Personnel	114	138	159	176	207
Selling and Administration Expenses	313.8	374.0	421.0	462.1	543.0
Others Expenses	17	31	27	25	29
EBITDA	183	210	251	318	378
% chg	20.0	14.5	19.5	26.8	18.9
(% of Net Sales)	11.8	11.4	12.7	14.1	14.3
Depreciation & Amortisation	21	26	26	28	32
EBIT	162	184	225	290	346
% chg	21.4	13.4	22.3	28.6	19.3
(% of Net Sales)	10.4	10.0	11.4	12.8	13.0
Interest & other Charges	6	11	7	7	7
Other Income	10	11	141	20	25
(% of PBT)	6.2	5.9	39.4	6.6	6.9
Share in profit of Associates	-	-	-	-	-
Recurring PBT	167	184	359	302	363
% chg	25.1	10.2	95.3	(15.8)	20.3
Tax	51	33	96	97	116
(% of PBT)	30.7	18.1	26.6	32.0	32.0
PAT (reported)	116	151	263	206	247
Extraordinary Items	-	-	99	-	-
Less: Minority interest (MI)	0	0	0	0	0
PAT after MI (reported)	115	150	263	205	247
ADJ. PAT	116	151	165	206	247
% chg	25.2	30.3	9.2	24.9	20.3
(% of Net Sales)	7.4	8.2	8.3	9.1	9.3
Fully Diluted EPS (Rs)	100.0	130.3	142.3	177.8	213.8
% chg	25.2	30.3	9.2	24.9	20.3

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019	FY2020
SOURCES OF FUNDS					
Equity Share Capital	12	12	12	12	12
Reserves & Surplus	711	842	1,008	1,175	1,381
Shareholders Funds	723	854	1,020	1,187	1,392
Equity Share Warrants	-	-	-	-	-
Total Loans	-	113	129	129	129
Deferred Tax Liability	-	-	-	-	-
Other liabilities	6.8	6.3	5.4	5.4	5.4
Total Liabilities	730	973	1,154	1,322	1,527
APPLICATION OF FUNDS					
Gross Block	351	567	598	688	778
Less: Acc. Depreciation	21	58	108	137	169
Net Block	330	510	490	552	609
Capital Work-in-Progress	3	2	4	4	4
Investments	68	75	167	167	167
Current Assets	583	680	880	1,035	1,256
Inventories	325	380	437	497	584
Sundry Debtors	175	215	258	294	345
Cash	31	65	136	188	261
Loans & Advances	52	20	49	56	66
Other Assets	-	-	-	-	-
Current liabilities	238	281	373	423	496
Net Current Assets	346	400	507	612	761
Deferred Tax Asset	(29)	(35)	(42)	(42)	(42)
Total Assets	730	973	1,154	1,322	1,527

Cash Flow Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019	FY2020
Profit before tax	167	184	359	302	363
Depreciation	21	26	26	28	32
Change in Working Capital	(64)	(70)	(47)	(53)	(76)
Interest / Dividend (Net)	9	(0)	(6)	7	3
Direct taxes paid	(36)	(37)	(93)	(97)	(116)
Others	(19)	(9)	(112)	1	5
Cash Flow from Operations	78	94	127	188	211
(Inc.)/ Dec. in Fixed Assets	(17)	(26)	(12)	(90)	(90)
(Inc.)/ Dec. in Investments	11	(142)	9	20	25
Cash Flow from Investing	(6)	(168)	(3)	(70)	(65)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	0	113	0	0	0
Dividend Paid (Incl. Tax)	0	0	0	0	0
Interest / Dividend (Net)	(2)	(8)	(75)	39	(31)
Cash Flow from Financing	(71)	106	(113)	0	(73)
Inc./(Dec.) in Cash	2	31	11	119	73
Opening Cash balances	25	27	58	69	188
Closing Cash balances	27	58	69	188	261

Source: Angel Research, Company

Key Ratios

Y/E March	FY2016	FY2017	FY2018	FY2019	FY2020
Valuation Ratio (x)					
P/E (on FDEPS)	76.7	58.9	53.9	43.1	35.9
P/CEPS	49.5	38.3	23.4	28.9	24.2
P/BV	9.4	7.9	6.6	5.7	4.9
Dividend yield (%)	0.3	0.4	0.4	0.4	0.5
EV/Sales	5.6	4.8	4.4	3.8	3.2
EV/EBITDA	47.9	42.1	34.7	27.2	22.7
EV / Total Assets	12.0	9.1	7.5	6.5	5.6
Per Share Data (₹)					
EPS (Basic)	100.0	130.3	142.3	177.8	213.8
EPS (fully diluted)	100.0	130.3	142.3	177.8	213.8
Cash EPS	118.1	152.6	250.1	202.2	241.7
DPS	22.0	27.0	30.0	33.0	36.3
Book Value	625.5	738.4	882.1	1,026.9	1,204.4
Dupont Analysis					
EBIT margin	10.4	10.0	11.4	12.8	13.0
Tax retention ratio	0.7	0.8	0.7	0.7	0.7
Asset turnover (x)	2.5	2.2	2.3	2.3	2.4
ROIC (Post-tax)	18.0	18.2	19.5	20.5	21.5
Cost of Debt (Post Tax)	0.0	0.1	0.0	0.0	0.0
Returns (%)					
ROCE	22.4	19.0	19.6	22.0	22.7
Angel ROIC (Pre-tax)	26.0	22.3	26.6	30.1	31.6
ROE	16.0	17.6	16.1	17.3	17.8
Turnover ratios (x)					
Asset Turnover (Gross Block)	4.4	3.2	3.3	3.3	3.4
Inventory / Sales (days)	76	75	81	81	81
Receivables (days)	41	43	48	48	48
Payables (days)	93	94	121	121	121
Working capital cycle (ex-cash) (days)	24	24	7	7	7

Source: Company, Angel Research

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

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Disclosure of Interest Statement	TTK Prestige
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

**Ratings (Based on Expected Returns:
over 12 months investment period)**

Buy (> 15%)

 Accumulate (5% to 15%)
 Reduce (-5% to -15%)

 Neutral (-5 to 5%)
 Sell (< -15%)