

## TTK Prestige

### Performance Update

Y/E March (₹ cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq
Net sales	434	419	4	445	(3)
EBITDA	56	55	1	64	(12)
EBITDA margin (%)	13.0	13.2	(27bp)	14.4	(144bp)
Adjusted PAT	36	36	2	44	(17)

TTK Prestige (TTKP) posted results below our expectations on both top-line as well as bottom-line fronts. Revenue grew by ~4% yoy to ₹434cr due to subdued performance in cookers and cookware segment. On the operating front, margins contracted by 27bps yoy. Moreover, PAT grew ~2% yoy to ₹36cr.

**Revenue increased ~4% yoy:** TTKP's top-line de-grew by ~4% yoy to ₹434cr mainly due to de-growth in cookers segment (~7% yoy). However, cookware and appliances segment reported growth of ~5% and ~10% respectively. The management indicated that the weak growth was due to slowdown in rural demand coupled with delayed monsoon and absence of institutional orders during the quarter.

**PAT grew ~2% yoy:** On the operating front, the company's margins contracted by 27bps yoy to 13.0% due to higher raw material cost and employee expenses. On the bottom-line front, PAT grew by ~2% yoy due to lower sales growth.

**Outlook and Valuation:** During the quarter the company has reported subdued numbers both on top-line and bottom-line. However, the company is confident to achieve healthy profitability on the back of new product launches (in pipeline for the festive season), revival in rural demand coupled with acquisition. **Hence, we maintain buy on the company with target price of ₹6,638.**

### Key Financials

Y/E March (₹ cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Net Sales	1,745	1,871	2,107	2,307	2,557
% chg	-	7.2	12.6	9.5	10.8
Net Profit	154.0	168.9	192.4	210.7	234.9
% chg	(49.0)	9.7	13.9	9.6	11.4
OPM (%)	12.1	13.2	13.9	13.9	13.9
EPS (Rs)	111.6	122.4	139.4	152.7	170.2
P/E (x)	52.0	47.4	41.6	38.0	34.1
P/BV (x)	9.5	7.9	6.9	6.1	5.4
RoE (%)	18.0	16.6	16.5	15.9	15.6
RoCE (%)	19.1	19.3	21.1	20.5	20.4
EV/Sales (x)	4.6	4.2	3.7	3.4	3.0
EV/EBITDA (x)	37.9	31.6	26.6	24.2	21.9

Source: Company, Angel Research

CMP	₹5,800
Target Price	₹6,638
Investment Period	12 Months

### Stock Info

Sector	Kitchen Appliances
Market Cap (₹ cr)	8,299
Net Debt (₹ cr)	(182)
Beta	0.7
52 Week High / Low	7,738/4,581
Avg. Daily Volume	784
Face Value (₹)	10
BSE Sensex	37,354
Nifty	11,041
Reuters Code	TTKL.BO
Bloomberg Code	TTKPT.IN

### Shareholding Pattern (%)

Promoters	70.4
MF / Banks / Indian FIs	8.7
FII / NRIs / OCBs	10.2
Indian Public / Others	10.7

### Price Chart



Source: Company, Angel Research

### Amarjeet S Maurya

022 3935 7800 Ext: 6831

amarjeet.maurya@angelbroking.com

## Exhibit 1: Q1FY2020 Performance

Y/E March (₹ cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq	FY2019	FY2018	% chg
<b>Net Sales</b>	<b>434</b>	<b>419</b>	<b>3.5</b>	<b>445</b>	<b>(2.5)</b>	<b>1,968</b>	<b>1,746</b>	<b>12.7</b>
Consumption of RM	249	238	4.7	258	(3.2)	1,131	1,005	12.5
(% of Sales)	57.5	56.9		57.9	40.4	57.4	57.5	
Staff Costs	39	38	4.6	43	(8.8)	165	142	16.1
(% of Sales)	9.1	9.0		9.7		8.4	8.1	
Other Expenses	89	87	1.3	80	10.8	386	365	5.9
(% of Sales)	20.4	20.9		18.0		19.6	20.9	
<b>Total Expenditure</b>	<b>377</b>	<b>363</b>	<b>3.8</b>	<b>381</b>	<b>(0.9)</b>	<b>1,682</b>	<b>1,512</b>	<b>11.3</b>
<b>Operating Profit</b>	<b>56</b>	<b>55</b>	<b>1.4</b>	<b>64</b>	<b>(12.3)</b>	<b>286</b>	<b>235</b>	<b>21.7</b>
OPM	13.0	13.2		14.4		14.5	13.4	
Interest	0	0	22.6	0	(7.3)	2	2	9.8
Depreciation	7	6	13.1	7	4.9	26	25	3.4
Other Income	6	5		8		26	143	
<b>PBT (excl. Ext Items)</b>	<b>55</b>	<b>54</b>	<b>3.0</b>	<b>65</b>	<b>(14.9)</b>	<b>284</b>	<b>351</b>	<b>(19.1)</b>
Ext (Income)/Expense								
<b>PBT (incl. Ext Items)</b>	<b>55</b>	<b>54</b>	<b>3.0</b>	<b>65</b>	<b>(14.9)</b>	<b>284</b>	<b>351</b>	<b>(19.1)</b>
(% of Sales)	12.7	12.8		14.6		14.4	20.1	
Provision for Taxation	19	18		21		93	94	
(% of PBT)	33.9	33.0		32.5		32.9	26.7	
<b>Reported PAT</b>	<b>36</b>	<b>36</b>	<b>1.6</b>	<b>44</b>	<b>(16.7)</b>	<b>190</b>	<b>257</b>	<b>(25.9)</b>
PATM	8.4	8.6		9.8		9.7	14.7	
Minority Interest After NP								
Extra-ordinary Items							94	
<b>Reported PAT</b>	<b>36</b>	<b>36</b>	<b>1.6</b>	<b>44</b>	<b>(16.7)</b>	<b>190</b>	<b>162</b>	<b>17.2</b>

Source: Company, Angel Research

**Outlook and Valuation:** During the quarter the company has reported subdued numbers both on top-line and bottom-line. However, the company is confident to achieve healthy profitability on the back of new product launches (in pipeline for the festive season), revival in rural demand coupled with acquisition. **Hence, we maintain buy on the company with target price of ₹ 6,638.**

#### **Risks to our estimates**

**Abrupt fluctuation in primary raw materials-** The prices of aluminum and steel are linked to global commodity prices and 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 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** TTKP is competing with many different players in various categories. Many foreign players are also entering Indian markets which could lead to aggressive competition, and pricing war. So far, TTK has gained market share from its competitors over the years with its innovative culture and growth strategies.

#### **Company background**

Founded in 1928, the TTK group spans 30 product categories with 7 group companies and a turnover ₹ 3000cr+. TTK Prestige is its flagship company. It started manufacturing in 1949 by setting up a unit near Bangalore. TTKP was incorporated as a private limited company in 1955 and it became a public limited company in 1988. It remained a single product company till 1990. The company is known for its manufacturing and innovations, be it distributing pamphlets from helicopters in the fifties or introducing the exchange schemes.

**Profit & Loss Statement**

Y/E March (₹ cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
<b>Total operating income</b>	<b>1,745</b>	<b>1,871</b>	<b>2,107</b>	<b>2,307</b>	<b>2,557</b>
% chg	-	7.2	12.6	9.5	10.8
<b>Total Expenditure</b>	<b>1,535</b>	<b>1,624</b>	<b>1,815</b>	<b>1,987</b>	<b>2,201</b>
Raw Material	1,043	1,082	1,221	1,338	1,483
Personnel	138	159	186	205	228
Others Expenses	354	383	408	443	491
<b>EBITDA</b>	<b>210</b>	<b>247</b>	<b>292</b>	<b>321</b>	<b>355</b>
% chg	(43.1)	17.6	18.0	9.8	10.8
(% of Net Sales)	12.1	13.2	13.9	13.9	13.9
Depreciation & Amortisation	26	26	26	30	30
<b>EBIT</b>	<b>185</b>	<b>222</b>	<b>266</b>	<b>291</b>	<b>325</b>
% chg	(47.0)	20.1	19.7	9.6	11.7
(% of Net Sales)	10.6	11.9	12.6	12.6	12.7
Interest & other Charges	8	4	5	5	5
Other Income	7	141	25	28	30
(% of PBT)	3.7	39.4	8.8	8.9	8.6
Share in profit of Associates	-	-	-	-	-
<b>Recurring PBT</b>	<b>184</b>	<b>359</b>	<b>286</b>	<b>315</b>	<b>351</b>
% chg	(47.9)	95.3	(20.3)	9.9	11.4
Tax	33	96	94	104	116
(% of PBT)	18.1	26.6	32.8	33.0	33.0
<b>PAT (reported)</b>	<b>151</b>	<b>263</b>	<b>192</b>	<b>211</b>	<b>235</b>
Extraordinary Items	(3)	95	-	-	-
Less: Minority interest (MI)	0	0	0	0	0
<b>PAT after MI (reported)</b>	<b>151</b>	<b>263</b>	<b>192</b>	<b>210</b>	<b>235</b>
<b>ADJ. PAT</b>	<b>154</b>	<b>169</b>	<b>192</b>	<b>211</b>	<b>235</b>
% chg	(49.0)	9.7	13.9	9.6	11.4
(% of Net Sales)	8.8	9.0	9.1	9.1	9.2
<b>Fully Diluted EPS (₹)</b>	<b>111.6</b>	<b>122.4</b>	<b>139.4</b>	<b>152.7</b>	<b>170.2</b>
% chg	(49.0)	9.7	13.9	9.6	11.4

## Consolidated Balance Sheet

Y/E March ( ` cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	12	12	12	12	12
Reserves& Surplus	842	1,008	1,155	1,324	1,512
<b>Shareholders Funds</b>	<b>854</b>	<b>1,020</b>	<b>1,166</b>	<b>1,335</b>	<b>1,524</b>
Equity Share Warrants	-	-	-	-	-
Total Loans	113	129	90	90	90
Deferred Tax Liability	-	-	-	-	-
Other liabilities	6.3	5.4	5.4	5.4	5.4
<b>Total Liabilities</b>	<b>973</b>	<b>1,154</b>	<b>1,262</b>	<b>1,431</b>	<b>1,620</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	567	598	612	625	639
Less: Acc. Depreciation	58	108	110	140	170
<b>Net Block</b>	<b>510</b>	<b>490</b>	<b>502</b>	<b>486</b>	<b>469</b>
Capital Work-in-Progress	2	4	21	21	21
Investments	75	167	192	192	192
Current Assets	680	880	986	1,130	1,285
Inventories	380	437	471	537	595
Sundry Debtors	215	258	305	348	406
Cash	65	136	130	130	130
Loans & Advances	20	49	48	69	102
Other Assets	-	-	31	46	51
Current liabilities	281	373	348	488	525
<b>Net Current Assets</b>	<b>400</b>	<b>507</b>	<b>639</b>	<b>643</b>	<b>760</b>
<b>Deferred Tax Asset</b>	<b>(35)</b>	<b>(42)</b>	<b>(44)</b>	<b>(44)</b>	<b>(44)</b>
<b>Total Assets</b>	<b>973</b>	<b>1,154</b>	<b>1,262</b>	<b>1,431</b>	<b>1,620</b>

### Cash Flow Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019	FY2020
Profit before tax	184	359	286	315	351
Depreciation	26	26	26	30	30
Change in Working Capital	(70)	(47)	(110)	(4)	(117)
Interest / Dividend (Net)	(0)	(6)	7	3	(5)
Direct taxes paid	(37)	(93)	(91)	(104)	(116)
Others	(9)	(112)	(24)	2	9
<b>Cash Flow from Operations</b>	<b>94</b>	<b>127</b>	<b>94</b>	<b>241</b>	<b>153</b>
(Inc.)/ Dec. in Fixed Assets	(26)	(12)	(57)	(13)	(13)
(Inc.)/ Dec. in Investments	(142)	9	57	0	0
<b>Cash Flow from Investing</b>	<b>(168)</b>	<b>(3)</b>	<b>(0)</b>	<b>(13)</b>	<b>(13)</b>
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	113	0	(38)	0	0
Dividend Paid (Incl. Tax)	0	0	0	0	0
Interest / Dividend (Net)	(8)	(75)	(5)	(29)	(29)
<b>Cash Flow from Financing</b>	<b>106</b>	<b>(113)</b>	<b>(84)</b>	<b>(70)</b>	<b>(75)</b>
Inc./(Dec.) in Cash	31	11	10	157	64
<b>Opening Cash balances</b>	<b>27</b>	<b>58</b>	<b>69</b>	<b>79</b>	<b>236</b>
<b>Closing Cash balances</b>	<b>58</b>	<b>69</b>	<b>79</b>	<b>236</b>	<b>300</b>

Source: Angel Research, Company

### Key Ratios

Y/E March	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	52.0	47.4	41.6	38.0	34.1
P/CEPS	45.8	27.9	36.9	33.6	30.4
P/BV	9.5	7.9	6.9	6.1	5.4
Dividend yield (%)	0.5	0.5	0.6	0.6	0.7
EV/Sales	4.6	4.2	3.7	3.4	3.0
EV/EBITDA	37.9	31.6	26.6	24.2	21.9
EV / Total Assets	8.2	6.8	5.8	5.9	5.5
<b>Per Share Data (₹)</b>					
EPS (Basic)	111.6	122.4	139.4	152.7	170.2
EPS (fully diluted)	111.6	122.4	139.4	152.7	170.2
Cash EPS	127.8	209.5	158.6	174.2	192.2
DPS	27.0	30.0	33.0	36.3	39.9
Book Value	618.6	738.9	845.1	961.5	1,091.8
<b>Dupont Analysis</b>					
EBIT margin	10.6	11.9	12.6	12.6	12.7
Tax retention ratio	0.8	0.7	0.7	0.7	0.7
Asset turnover (x)	2.1	2.2	2.3	2.1	2.0
ROIC (Post-tax)	18.3	19.2	19.1	17.7	16.9
<b>Returns (%)</b>					
ROCE	19.1	19.3	21.1	20.4	20.1
Angel ROIC (Pre-tax)	22.3	26.2	28.4	26.4	25.2
ROE	18.0	16.6	16.5	15.8	15.4
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block)	3.1	3.1	3.4	3.7	4.0
Inventory / Sales (days)	79	85	82	85	85
Receivables (days)	45	50	53	55	58
Payables (days)	59	73	60	55	55
Working capital cycle (ex-cash) (days)	66	63	74	85	88

Source: Company, Angel Research

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

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<b>Disclosure of Interest Statement</b>	<b>TTK Prestige</b>
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

<b>Ratings (Based on Expected Returns: over 12 months investment period)</b>	Buy (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15%)
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