

TTK Prestige

Performance Update

| Y/E March (₹ cr) | Q2FY19 | Q2FY18 | % yoy | Q1FY19 | % qoq |
|-------------------|--------|--------|-------|--------|-------|
| Net sales | 552 | 515 | 7.2 | 419 | 31.7 |
| EBITDA | 81 | 66 | 22.7 | 55 | 47 |
| EBITDA margin (%) | 14.7% | 12.8% | | 13.2% | |
| Adjusted PAT | 54 | 42 | 28.5 | 36 | 50 |

For Q2FY2019, TTK Prestige (TTK) posted decent performance with 7.2%/28.5% yoy growth in revenue/ PAT led by 187 bps expansion in margin. The company has delivered strong profitability during the quarter despite revenue loss of ~ ₹15 cr due to Kerala flood (Kerala normally contributes 10%+ of Q2 revenue).

Revenue rose 7.2%: Q2's top-line increase was subdued mainly due to higher base effect (GST restocking happened in Q2FY2018) and Kerala flood. Cookers segment grew by 12% and appliances segment grew by 8% yoy while cookware sales fell by 2% yoy. It sales is likely to pick up in H2 led by new LPG connection under Ujjawala scheme and newly launched category like cleaning solutions.

Margins improved by 187 bps : On the operating front, the company's margin were robust at 14.7% due to better product mix and one-time other expenses in Q2FY2018. H2 is likely to see similar margin level that of H1 on the back of improving product mix and distribution network.

Outlook and Valuation: We have fine tuned our earnings estimates in view of subdued revenue off-take while increasing operating margin in view of robust H1 performance(excluding Kerala impact). We now expect TTK to report a CAGR of ~16%/23% in revenue/ earnings over FY18-20E. The stock is currently trading at 29x its FY2020 earnings, which is at discount to its 5 year average PE multiple of 40x. **We maintain BUY with a revised target price of ₹7500 (35x FY2020E EPS).**

Key Financials

| Y/E March (₹ cr) | FY2016 | FY2017 | FY2018E | 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) | 62.0 | 47.6 | 43.6 | 34.9 | 29.0 |
| 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) | 4.5 | 3.9 | 3.5 | 3.1 | 2.6 |
| EV/EBITDA (x) | 38.6 | 34.0 | 27.9 | 21.8 | 18.2 |

Source: Company, Angel Research

BUY

| | |
|--------------|--------|
| CMP | ₹6,202 |
| Target Price | ₹7,500 |

Investment Period 12 Months

Stock Info

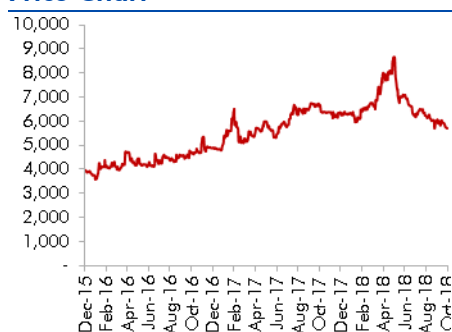
| | |
|-------------------|--------------------|
| Sector | Kitchen appliances |
| Avg. Daily Volume | 3,943 |
| Face Value (₹) | 10 |
| BSE Sensex | 34,034 |
| Nifty | 10,146 |
| Reuters Code | TTKL.BO |
| Bloomberg Code | TTKPT.IN |

Shareholding Pattern (%)

| | |
|-------------------------|------|
| Promoters | 70.4 |
| MF / Banks / Indian FIs | 8.5 |
| FII / NRIs / OCBs | 9.7 |
| Indian Public / Others | 11.4 |

| Abs. (%) | 3m | 1yr | 3yr |
|--------------|-------|-------|------|
| Sensex | (8.2) | 3.8 | 22.9 |
| TTK Prestige | 5.2 | (0.2) | 45.5 |

Price Chart



Source: Company, Angel Research

Nidhi Agrawal

022 – 3935 7800 Ext: 6872

nidhi.agrawal@angelbroking.com

Exhibit 1: Q2FY2019 Performance

| In Cr | Q2FY18 | Q1FY19 | Q2FY19 | YOY Growth | H1FY18 | H1FY19 | YOY Growth |
|----------------------------------|-------------|-------------|-------------|--------------|------------|------------|---------------|
| Total Income | 515 | 419 | 552 | 7.3% | 872 | 971 | 11.4% |
| Total Expenditure | 449 | 363 | 471 | 5.0% | 762 | 835 | 9.6% |
| Raw Material Consumed | 82 | 113 | 125 | 52.9% | 199 | 239 | 20.1% |
| Stock Adjustment | 78 | -4 | 18 | -77.5% | 38 | 14 | -63.4% |
| Purchase of Finished Goods | 142 | 129 | 176 | 24.4% | 272 | 305 | 12.0% |
| COGS | 302 | 238 | 319 | 5.9% | 509 | 558 | 9.6% |
| Employee Expenses | 33 | 38 | 40 | 21.9% | 64 | 78 | 21.4% |
| Other Expenses | 114 | 87 | 112 | -2.1% | 189 | 199 | 5.6% |
| Total Expenditure | 449 | 363 | 471 | 5.0% | 762 | 835 | 9.6% |
| EBITDA | 65.8 | 55.5 | 81.0 | 23.0% | 111 | 136 | 23.5% |
| Other Income | 2.2 | 4.7 | 6.4 | 188.8% | 133 | 11 | -91.7% |
| Interest | 0.5 | 0.3 | 0.7 | 34.7% | 1 | 1 | 3.2% |
| PBDT | 67.6 | 59.8 | 86.8 | 28.4% | 243 | 147 | -39.6% |
| Depreciation | 6.2 | 6.3 | 6.5 | 5.2% | 12 | 13 | 3.0% |
| PBT | 61.4 | 53.6 | 80.3 | 30.7% | 230 | 134 | -41.9% |
| Tax | 19.5 | 17.7 | 26.5 | 35.9% | 55 | 44 | -19.0% |
| Reported Profit After Tax | 41.9 | 35.9 | 53.8 | 28.4% | 176 | 90 | -49.0% |
| Extra-ordinary Items | - | - | - | | 102 | - | |
| Adjusted PAT | 41.9 | 35.9 | 53.8 | 28.4% | 74 | 90 | 21.8% |
| Ratios | | | | | | | |
| EBITDA margin (%) | 12.8% | 13.2% | 14.7% | | 12.7% | 14.0% | |
| PAT margin % | 8.1% | 8.6% | 9.7% | | 20.2% | 9.2% | |
| Tax rate % | 31.8% | 33.0% | 33.0% | | 23.7% | 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) | 62.0 | 47.6 | 43.6 | 34.9 | 29.0 |
| 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 (%) | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 |
| EV/Sales | 4.5 | 3.9 | 3.5 | 3.1 | 2.6 |
| EV/EBITDA | 38.6 | 34.0 | 27.9 | 21.8 | 18.2 |
| EV / Total Assets | 9.7 | 7.3 | 6.1 | 5.3 | 4.5 |
| Per Share Data (Rs) | | | | | |
| 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) | - | 0.1 | 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 |
| Solvency ratios (x) | | | | | |
| Net debt to equity | (0.1) | (0.0) | (0.2) | (0.2) | (0.2) |
| Net debt to EBITDA | (0.5) | (0.1) | (0.7) | (0.7) | (0.8) |
| Interest Coverage (EBIT / Interest) | 27.6 | 16.6 | 30.5 | 39.2 | 46.8 |

Source: Company, Angel Research

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

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| 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%)