

Gearing up to maintain sustained growth momentum

About the stock: TTK Prestige is India's leading player in kitchen solutions and has succeeded in transforming itself from a company manufacturing pressure cookers to having an entire gamut of home and kitchen appliances.

- It continues to be a market leader in the cooker segment and has material share in other appliance and cookware categories
- The company, over the years, has maintained its balance sheet strength with strong cash reserves (~₹ 500+ crore) and healthy RoIC of 30% +

Q2FY22 Results: Reported superior operational performance with strong beat on revenue front. Demand for domestic kitchen, home appliance was robust in Q2 driven by stocking requirement by trade channels ahead of Q3 festive season.

- Revenue grew 37% YoY (two-year CAGR: 19%) to ₹ 808.6 crore (I-direct estimate: ₹ 682 crore) driven by strong growth across all categories
- To mitigate cost inflation, TTKP has taken price hikes for select categories in Q2FY22. Gross margins stayed constant YoY (down 470 bps QoQ) to 40%
- On account of positive operating leverage, EBITDA margins improved 220 bps YoY to 16.8% (I-direct estimate: 16.8%)
- Board has approved split of equity shares from face value ₹ 10 to ₹ 1 each

What should investors do? TTK has been a consistent compounder with stock price appreciating at 16% CAGR in the last five years

- We continue to remain positive and maintain our **BUY** rating on the stock

Target Price and Valuation: We value TTK at ₹ 13000 i.e. 46x 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 the Gujarat factory
- TTK is further looking to enhance its distribution reach in tier-II/III cities to capture long term growth opportunities
- The company has a healthy pipeline of ~53 SKUs to be launched in Q3FY22, which would propel growth, going forward
- Maintained its guidance of achieving ₹ 5000 crore by FY25 through organic and inorganic route. We roll our estimates to FY24 and model in revenue and earnings CAGR of 16%, 18%, respectively, in FY21-24E

Alternate Stock Idea: Apart from TTK, in our retail coverage we also like Bata India

- Bata 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 ₹ 2380



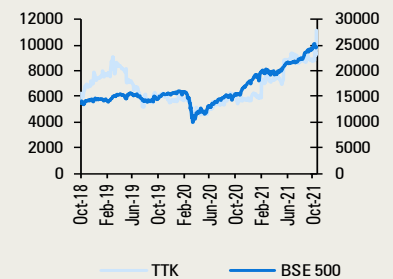
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	15,104.4
Debt (FY21) (₹ Crore)	40.4
Cash (FY21) (₹ Crore)	161.2
EV (₹ Crore)	14,983.6
52 week H/L	11645 / 5561
Equity Capital (₹ Crore)	13.9
Face Value	10

Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	70.4	70.4	70.4	70.4	70.4
FII	9.4	9.5	10.0	9.9	9.9
DII	11.7	11.8	12.5	12.8	13.1
Others	8.5	8.3	7.0	6.9	6.6

Price Chart



Recent Event & Key risks

- New non-stick cookware plant commissioned in Q2FY22
- **Key Risk:** (i) Re-imposition of lockdown can reduce sales (ii) Input cost inflation can subdue margins

Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Cheragh Sidhwa
cheragh.sidhwa@icicisecurities.com

Key Financial Summary

Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-23E)
Net Sales	2,106.9	2,073.0	2,186.9	8.0%	2,589.4	2,970.5	3,394.4	15.8%
EBITDA	292.0	263.5	327.3	12.3%	389.1	464.2	536.7	17.9%
PAT	192.4	184.5	242.9	16.0%	278.5	336.6	392.7	17.4%
EPS (₹)	138.7	133.0	175.1		200.8	242.7	283.1	
P/E (x)	79.0	82.3	62.5		54.5	45.1	38.7	
EV/Sales (x)	7.2	7.3	6.9		5.8	5.1	4.4	
EV/EBITDA (x)	51.9	57.5	46.0		38.7	32.3	27.8	
RoCE (%)	21.8	17.1	18.6		19.9	21.4	22.1	
RoE (%)	16.5	14.1	16.1		16.5	17.7	18.2	

Key conference call takeaways

- TTK reported robust revenue growth of 37% YoY (two-year CAGR: 19%) to ₹ 808.6 crore (I-direct estimate: ₹ 682 crore) driven by strong growth across all categories. The standout division was cooker segment (29% of revenue), which reported 44% revenue growth followed by appliances (50% of revenue) and cookware (17% of revenue) categories, which grew 36% each. This is the highest quarterly sales for TTK Prestige
- Export sales grew 19% YoY to ₹ 23.9 crore. Export outlook continues to remain positive subject to logistical issues. It is targeting exports to breach the ₹ 100 crore mark in FY22 (₹ 71 crore in FY21)
- The management expects to register positive growth in H2FY22 over a large base as H2FY21 was a normal period
- In order to mitigate cost inflation, the company has taken price hikes for select categories in Q2FY22 (5-8% in July) Gross margins remained constant YoY (down 470 bps QoQ) to 40% (I-direct estimate: 42.0%). However, on account of positive operating leverage, EBITDA margins improved 220 bps YoY to 16.8% (I-direct estimate: 16.8%). Absolute EBITDA grew 58% YoY to ₹ 135.8 crore (I-direct estimate: ₹ 115 crore)
- With sustained raw material and logistical inflationary pressure, the company through improvement in internal efficiencies will maintain EBITDA margins at FY21 levels (~15-6%)
- Share of e-commerce sales was at ~20% during the quarter while the Prestige Xclusive channel sale contributed ~17% of revenues
- Prestige Xclusive chain strength was at 643 in 366 towns
- The company is looking at investing the cash generated from the business in expanding existing segments and also entering newer product segments
- The company plans to incur a capex of ~ ₹ 80-100 crore in FY22. It has added capacity in the non-stick cookware and is also adding capacity in the stainless steel cookware category
- On the new category products, cleaning solutions category is performing up to the expectations of the company. It is planning a distribution expansion across India for the category
- On the market share front, the management highlighted that it is the market leader in five of the six major product categories. Also, it is working towards gaining market leadership in mixer grinder category (currently third)
- Horwood achieved sales of £9.3 million (PY£ 6.7 million) during H1FY22, growth of 39% notwithstanding continued Brexit and Covid-19 pandemic related impact

Exhibit 1: Variance Analysis

	Q2FY22	Q2FY22E	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	Comments
Revenue	808.6	682.0	590.2	37.0	356.9	126.5	Domestic revenue grew 37% YoY, while exports grew 18% YoY
Other Income	8.0	8.9	7.2	11.6	8.3	-3.4	
Employee Expenses	49.0	49.1	39.6	23.7	45.5	7.6	
Raw Material Expenses	486.3	395.5	356.9	36.3	197.9	145.8	Gross margins contraction was restricted owing to better product/channel mix and price hikes across categories
Other Expenses	137.5	122.8	107.7	27.7	74.5	84.7	
EBITDA	135.8	114.6	86.0	57.8	39.1	247.4	
EBITDA Margin (%)	16.8	16.8	14.6	222 bps	10.9	584 bps	Positive operating leverage led to EBITDA margins enhancing on YoY basis
Depreciation	10.3	10.1	9.4	8.7	9.8	5.1	
Interest	0.8	1.0	0.7	25.4	1.0	-14.3	
Extraordinary (expense)/Income	0.0	0.0	0.0	NA	0.0	NA	
PBT	132.7	112.4	83.1	59.7	36.6	262.3	
Tax Outgo	34.0	28.3	20.9	62.7	9.4	261.6	
PAT	98.6	84.1	62.2	58.7	27.2	262.5	

Key Metrics

Segment Revenue (₹)

Cookers	237.5	194.8	165.1	43.9	104.0	128.3
Cookware	138.4	117.3	102.0	35.8	68.9	101.0
Appliances	404.9	340.2	298.4	35.7	170.7	137.2

Source: Company, ICICI Direct Research

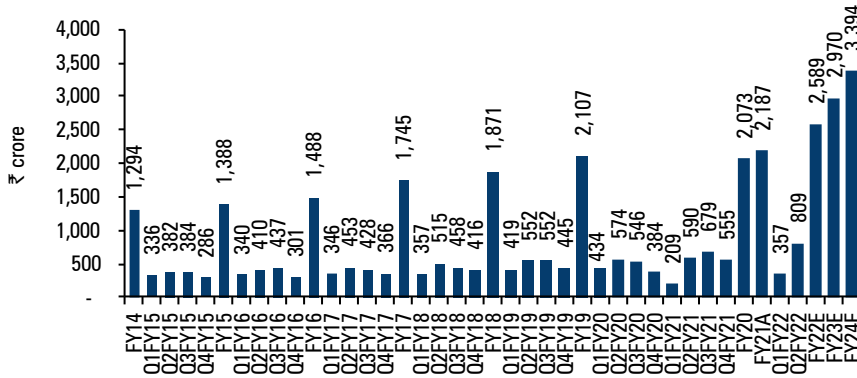
Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E
	Old	New	% Change	Old	New	% Change	Introduced
Revenue	2,542.5	2,589.4	1.8	2,916.5	2,970.5	1.9	3,394.4
EBITDA	389.0	389.1	0.0	464.1	464.2	0.0	536.7
EBITDA Margin (%)	15.3	15.0	-27 bps	15.9	15.6	-29 bps	15.8
PAT	278.2	278.5	0.1	336.5	336.6	0.0	392.7
EPS (₹)	200.6	200.8	0.1	242.6	242.7	0.0	283.1

Source: Company, ICICI Direct Research

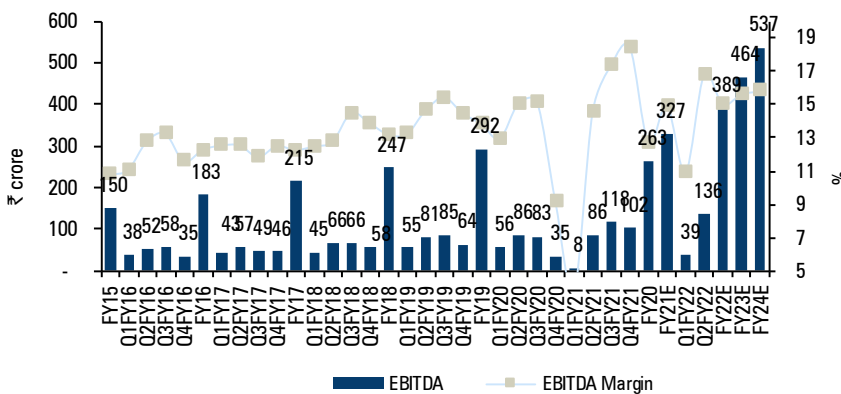
Financial story in charts....

Exhibit 3: Revenue trend



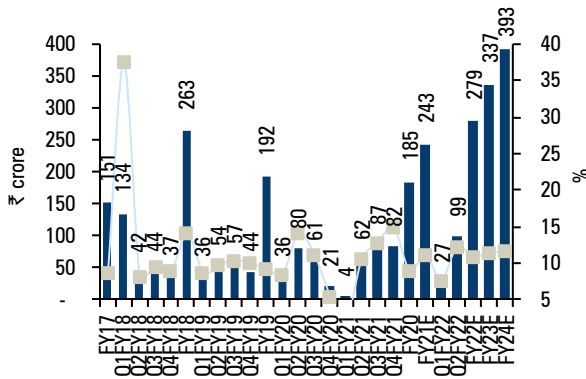
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA trend



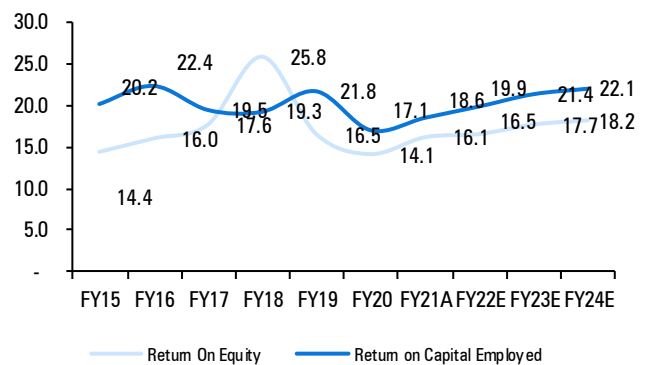
Source: Company, ICICI Direct Research

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)	133.0	-4.1	82.3	57.5	14.1	17.1
FY21	2,186.9	5.5	175.1	31.6	62.5	46.0	16.1	18.6
FY22E	2,589.4	18.4	200.8	14.7	54.5	38.7	16.5	19.9
FY23E	2,970.5	14.7	242.7	20.8	45.1	32.3	17.7	21.4
FY24E	3,394.4	14.3	283.1	16.7	38.7	27.8	18.2	22.1

Source: Company, ICICI Direct Research

Financial summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21A	FY22E	FY23E	FY24E
Total operating Income	2,186.9	2,589.4	2,970.5	3,394.4
Growth (%)	5.5	18.4	14.7	14.3
Raw Material Expenses	1,268.9	1,514.1	1,713.2	1,954.8
Employee Expenses	191.2	217.5	252.5	291.9
Manufacturing & other exp	399.6	468.7	540.6	611.0
Total Operating Expenditure	1,859.7	2,200.3	2,506.3	2,857.7
EBITDA	327.3	389.1	464.2	536.7
Growth (%)	24.2	18.9	19.3	15.6
Depreciation	40.0	44.8	47.7	51.0
Interest	5.1	5.6	5.2	4.8
Other Income	28.7	33.7	38.6	44.1
Exceptional Income	11.9	0.0	0.0	0.0
PBT	322.9	372.4	449.9	525.0
Growth (%)	37.7	15.3	20.8	16.7
Total Tax	80.0	93.8	113.4	132.3
PAT	242.9	278.5	336.6	392.7
Growth (%)	31.6	14.7	20.8	16.7
EPS (₹)	175.1	200.8	242.7	283.1

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
	₹ crore			
(Year-end March)	FY21A	FY22E	FY23E	FY24E
Liabilities				
Equity Capital	13.9	13.9	13.9	13.9
Reserve and Surplus	1,491.2	1,672.2	1,891.0	2,146.3
Total Shareholders funds	1,505.1	1,686.1	1,904.9	2,160.1
Total Debt	40.4	40.0	40.0	40.0
Deferred Tax Liability	34.9	34.9	34.9	34.9
Other LT Liabilities	43.2	43.2	43.2	43.2
Total Liabilities	1,623.4	1,804.1	2,022.9	2,278.1
Assets				
Gross Block (Including Goodwill)	716.1	786.1	851.1	911.1
Less: Accu Depreciation	186.4	231.2	278.9	329.9
Net Block	529.7	554.8	572.2	581.2
Capital WIP	18.0	18.0	18.0	18.0
Total Fixed Assets	547.7	572.9	590.2	599.2
Investments	420.4	462.5	508.7	559.6
Inventory	447.9	525.0	610.4	697.5
Debtors	290.9	354.7	406.9	465.0
Loans and Advances	123.9	129.5	133.7	152.7
Other Current Assets	3.5	3.6	3.7	3.8
Cash	161.2	173.9	224.6	300.6
Total Current Assets	1,027.4	1,186.7	1,379.2	1,619.6
Current Liabilities	405.7	451.5	488.7	533.6
Provisions	9.3	9.4	9.5	9.6
Total Current Liabilities	415.0	460.8	498.2	543.2
Net Current Assets	612.4	725.9	881.0	1,076.4
Others Assets	42.9	42.9	42.9	42.9
Application of Funds	1,623.4	1,804.1	2,022.9	2,278.1

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY21A	FY22E	FY23E	FY24E
PAT	242.9	278.5	336.6	392.7
Add: Depreciation	40.0	44.8	47.7	51.0
(Inc)/dec in Current Assets	-31.5	-146.6	-141.9	-164.3
Inc/(dec) in CL and Provisions	3.7	45.9	37.4	45.0
Others	-	-	-	-
CF from operating activities	255.1	222.6	279.7	324.3
(Inc)/dec in Investments	-89.4	-42.0	-46.2	-50.9
(Inc)/dec in Fixed Assets	-28.3	-70.0	-65.0	-60.0
(Inc)/dec in CWIP	-12.3	0.0	0.0	0.0
Others	(11.8)	-	-	-
CF from investing activities	-141.8	-112.0	-111.2	-110.9
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	21.8	-0.4	0.0	0.0
Others	-31.4	-97.5	-117.8	-137.4
CF from financing activities	-9.7	-97.9	-117.8	-137.4
Net Cash flow	103.7	12.7	50.7	76.0
Opening Cash	57.6	161.2	173.9	224.6
Closing Cash	161.2	173.9	224.6	300.6

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
	₹ crore			
(Year-end March)	FY21A	FY22E	FY23E	FY24E
Per share data (₹)				
EPS	175.1	200.8	242.7	283.1
Cash EPS	203.9	233.1	277.0	319.9
BV	1,085.1	1,215.7	1,373.4	1,557.4
DPS	40.0	70.3	84.9	99.1
Cash Per Share	116.2	125.4	161.9	216.7
Operating Ratios				
EBITDA Margin (%)	15.0	15.0	15.6	15.8
PBT Margin (%)	14.8	14.4	15.1	15.5
PAT Margin (%)	11.1	10.8	11.3	11.6
Inventory days	74.8	74.0	75.0	75.0
Debtor days	48.5	50.0	50.0	50.0
Creditor days	64.9	65.0	65.0	65.0
Return Ratios (%)				
RoE	16.1	16.5	17.7	18.2
RoCE	18.6	19.9	21.4	22.1
RoIC	29.8	31.6	34.4	36.2
Valuation Ratios (x)				
P/E	62.5	54.5	45.1	38.7
EV / EBITDA	46.0	38.7	32.3	27.8
EV / Net Sales	6.9	5.8	5.1	4.4
Market Cap / Sales	6.9	5.9	5.1	4.5
Price to Book Value	10.1	9.0	8.0	7.0
Solvency Ratios (x)				
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	2.8	3.0
Quick Ratio	1.4	1.4	1.5	1.7

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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