

## TTK Prestige | TTKPT IN

Target: ₹3,254 (Mar'14)



## Near term pain

- **Strong revenue growth (+30.7% YoY)...** TTK Prestige (TTK) reported strong 30.7% YoY topline growth in 3Q13 (in line with JMFe) as pressure cooker and appliances grew 37%/41% YoY respectively (cookware +3% YoY). This was despite significant weakness in its traditionally strong markets (Tamil Nadu/Kerala down 20%/5% resp; together contribute 30-40% to revenue) on power shortage and failed monsoon, impacting purchasing power of consumers. Note that 3Q13 was also positively impacted by base effect (Diwali sales were in 2Q last year vs 3Q this year; 2HCY12 revenue was up 21.1% YoY). Pressure Cooker growth (volume +26% YoY) was boosted by strong exports of microwave friendly pressure cookers (up 200% YoY).
- **...partially offset by margin contraction on product mix and higher A&P spend:** EBITDA grew 16.9% YoY (12.7% below JMFe) as margins contracted 170bps YoY due to a) lower gross margin (-70bps YoY due to higher revenue mix of relatively lower margin appliances), and b) higher advertising and sales promotion (23.4% of revenue vs. 21.4% in 3Q12). Net profit grew 27.6% YoY (4.7% below JMFe) on lower tax rate (23.4% vs 30% JMFe on tax benefits of Roorkee plant), helping offset EBITDA disappointment.
- **Induction cooktops to continue to drive overall growth:** TTK continues to ride on induction cooktops (IC) volume (+44% YoY in 3Q13) as customers rushed to buy ICs in festive season as government put cap on subsidised cylinders (6 per household w.e.f. Oct'12; recently hiked to 9). We believe IC sales gave a significant boost to cooker volume growth in 3Q13 (induction base cooker was sold as freebee with ICs; earlier cookware was bundled with IC). Strong non-south region revenue (north/east region +100% YoY; west +70% YoY) was largely led by IC sales, according to the management.
- **Strengths of Brand/distribution and innovation to drive longer term growth:** Management expects non-south region to grow strongly in next 1-2 quarters and help cushion weak south region growth (non south revenue +80% YoY in 3Q13). However, TTK did not rule out 13-13.5% margins, if current demand weakness in south region continues. TTK's strong brand coupled with unmatched portfolio (Cooker+Cookware+IC), distribution expansion and innovation strength should deliver c.20% earnings CAGR in FY12-15E.
- **Roll forward to Mar'14 with TP of ₹3,254; maintain HOLD:** We trim our FY14/15E earnings by 2-4% to reflect 110/70bps margin contraction respectively. We continue to value TTK at 19x FY15EPS to arrive at Mar'14 TP of ₹3,254 and maintain HOLD.

Achal Lohade

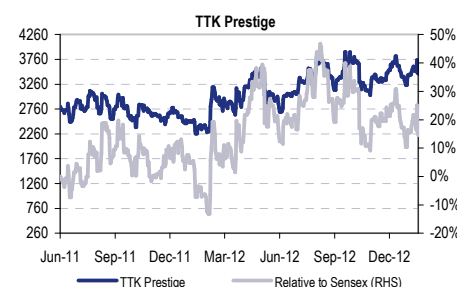
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## Key Data

Market cap (bn)	₹ 39.3 / US\$ 0.7
Shares in issue (mn)	11.3
Diluted share (mn)	11.3
3-mon avg daily val (mn)	₹ 280.7/US\$ 5.2
52-week range	₹ 3998.9/2280.1
Sensex/Nifty	20,039/6,064
₹/US\$	53.8

## Daily Performance



%	1M	3M	12M
Absolute	-2.1	5.5	44.6
Relative	-5.6	-1.2	22.7

\* To the BSE Sensex

## Shareholding Pattern (%)

	Sep-12	Sep-11
Promoters	74.9	74.9
FII	13.3	8.4
DII	2.8	4.3
Public / Others	9.0	12.4

## Exhibit 1. Financial Summary

(₹ mn)

Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
Net sales	7,636	11,034	13,459	16,077	18,873
Sales growth (%)	50.3	44.5	22.0	19.5	17.4
EBITDA	1,217	1,720	1,952	2,331	2,850
EBITDA (%)	15.9	15.6	14.5	14.5	15.1
Adjusted net profit	843	1,134	1,273	1,512	1,901
EPS (₹)	74.4	100.0	112.3	133.4	167.7
EPS growth (%)	73.4	34.4	12.3	18.8	25.7
ROIC (%)	76.0	50.7	33.7	31.6	37.4
ROE (%)	53.4	47.6	37.9	34.0	32.8
PE (x)	46.6	34.7	30.9	26.0	20.7
Price/Book value (x)	20.5	13.8	10.2	7.8	6.0
EV/EBITDA (x)	31.7	23.1	20.6	16.9	13.3

Source: Company data, JM Financial. Note: Valuations as of 18/01/2013

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>, Thomson Publisher & Reuters.

Please see important disclosure at the end of the report

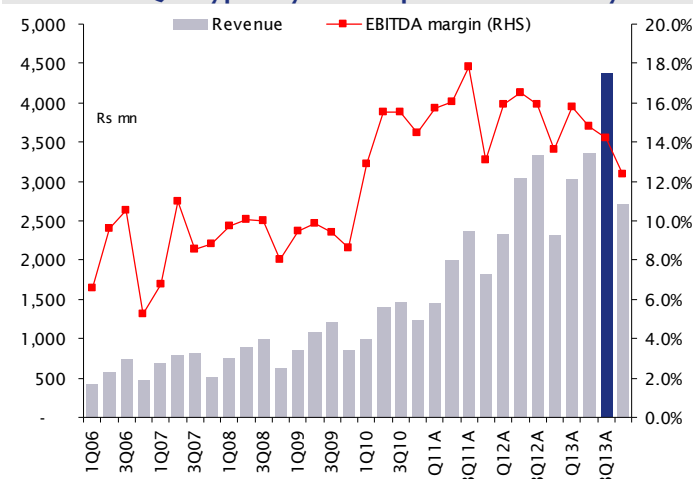
## Exhibit 2. Quarterly performance summary

(₹ mn except EPS)

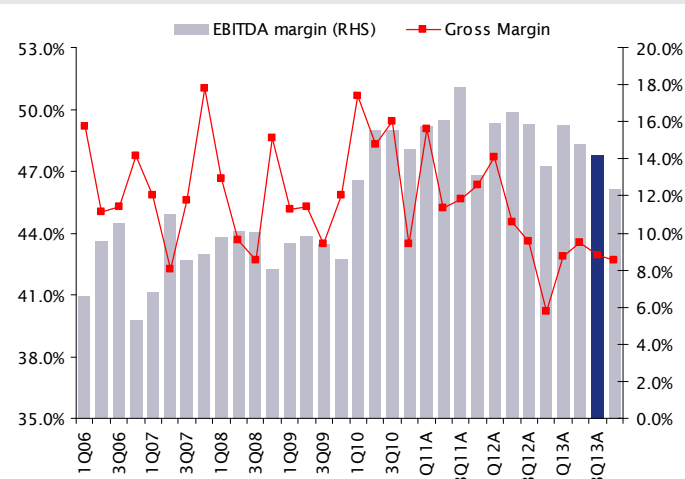
Y/E March	3Q12A	3Q13A	YoY	2Q13A	QoQ	3Q13E	Var	9M12	9M13	YoY
<b>Net Sales</b>	<b>3,343</b>	<b>4,371</b>	<b>30.7%</b>	<b>3,356</b>	<b>30.3%</b>	<b>4,319</b>	<b>1.2%</b>	<b>8,710</b>	<b>10,752</b>	<b>23.5%</b>
Pressure Cookers	1,150	1,580	37.4%	1,330	18.8%	1,426	10.8%	3,242	4,120	27.1%
Non-stick Cookware	740	760	2.7%	560	35.7%	925	-17.8%	1,810	1,900	5.0%
Electrical Appliances	1,410	1,990	41.1%	1,370	45.3%	1,874	6.2%	3,470	4,580	32.0%
Others	90	120	33.3%	170	-29.4%	162	-25.9%	255	410	60.6%
RM cost	1,885	2,495	32.4%	1,895	31.7%	2,453	1.7%	4,788	6,120	27.8%
% of sales	56.4%	57.1%		56.5%		56.8%		55.0%	56.9%	
Gross margin	43.6%	42.9%		43.5%		43.2%		45.0%	43.1%	
Employee costs	214	231	7.8%	210	10.0%	251	-7.7%	558	643	15.2%
% of sales	6.4%	5.3%		6.3%		5.8%		6.4%	6.0%	
Admin and other exp.	713	1,024	43.6%	754	35.8%	907	12.8%	1,959	2,393	22.2%
% of sales	21.3%	23.4%		22.5%		21.0%		22.5%	22.3%	
Total Expenditure	2,812	3,750	33.4%	2,859	31.2%	3,611	3.9%	7,306	9,156	25.3%
% of sales	84.1%	85.8%		85.2%		83.6%		83.9%	85.2%	
<b>EBITDA</b>	<b>531</b>	<b>621</b>	<b>16.9%</b>	<b>497</b>	<b>25.1%</b>	<b>708</b>	<b>-12.3%</b>	<b>1,404</b>	<b>1,596</b>	<b>13.7%</b>
EBITDA Margin	15.9%	14.2%		14.8%		16.4%		16.1%	14.8%	
Depreciation	19	22	15.5%	22	3.7%	25	-10.8%	43	64	49.7%
EBIT	512	599	16.9%	475	26.0%	683	-12.4%	1,361	1,532	12.6%
Other Income	9	9	1.1%	10	-6.0%	8	17.5%	24	26	11.9%
PBIT	521	608	16.7%	485	25.4%	691	-12.0%	1,385	1,558	12.5%
Interest	25	31	22.4%	36	-13.4%	30	3.7%	43	93	
PBT	496	577	16.4%	449	28.5%	661	-12.7%	1,342	1,465	9.2%
Tax Expense	150	136	-9.4%	147	-7.0%	198	-31.4%	406	415	2.2%
Tax rate	30.3%	23.6%		32.6%		30.0%		30.2%	28.3%	
Reported Net Profit	346	441	27.6%	303	45.6%	463	-4.7%	936	1,051	12.3%
Reported EPS	30.5	39.0	27.6%	26.7	45.6%	40.9	-4.7%	82.7	92.8	12.3%
<b>Adjusted net profit</b>	<b>346</b>	<b>441</b>	<b>27.6%</b>	<b>303</b>	<b>45.6%</b>	<b>463</b>	<b>-4.7%</b>	<b>936</b>	<b>1,051</b>	<b>12.3%</b>
Adjusted EPS (Diluted)	30.5	39.0	27.6%	26.7	45.6%	40.9	-4.7%	82.7	92.8	12.3%

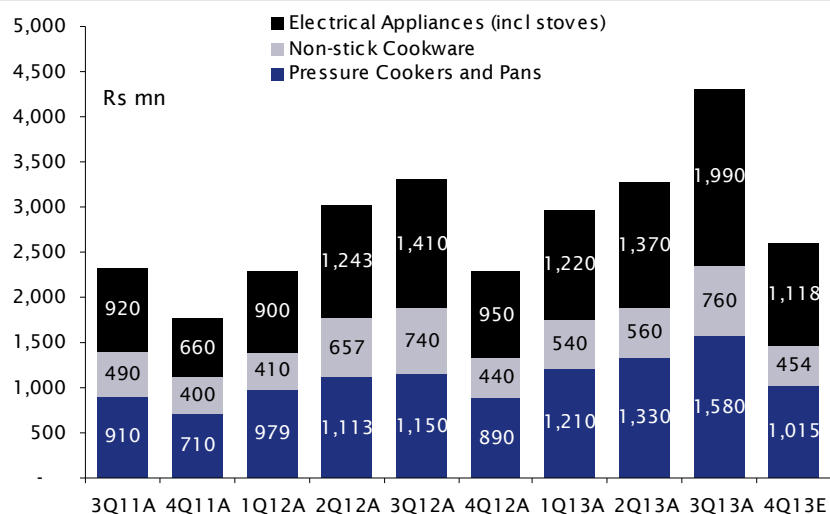
Source: Company data, JM Financial

## Exhibit 3. 4Q is typically a lean quarter seasonally



Source: Company, JM Financial



**Exhibit 4. Revenue mix trend**

Source: Company data, JM Financial

**Exhibit 5. FY14/15E Revision Table**

(₹ mn except EPS)

	FY14E			FY15E		
	Old	New	Chg	Old	New	Chg
<b>Sales</b>	<b>15,764</b>	<b>16,077</b>	<b>2.0%</b>	<b>18,685</b>	<b>18,873</b>	<b>1.0%</b>
Pressure Cookers & Pans	5,764	6,022	4.5%	6,628	6,926	4.5%
Non stick Cookware	2,817	2,430	-13.8%	3,155	2,551	-19.1%
Kitchen Electric Appliances	6,376	6,927	8.6%	7,651	8,313	8.6%
Others	1,055	1,009	-4.3%	1,545	1,450	-6.2%
<b>EBITDA</b>	<b>2,459</b>	<b>2,331</b>	<b>-5.2%</b>	<b>2,952</b>	<b>2,850</b>	<b>-3.5%</b>
EBITDA margin	15.6%	14.5%		15.8%	15.1%	
Depreciation	173	173	0.0%	179	179	0.0%
Interest	60	60	0.0%	24	24	0.0%
<b>Adjusted Profit</b>	<b>1,581</b>	<b>1,512</b>	<b>-4.3%</b>	<b>1,945</b>	<b>1,901</b>	<b>-2.3%</b>
EPS (diluted)	139.4	133.4	-4.3%	171.6	167.7	-2.3%

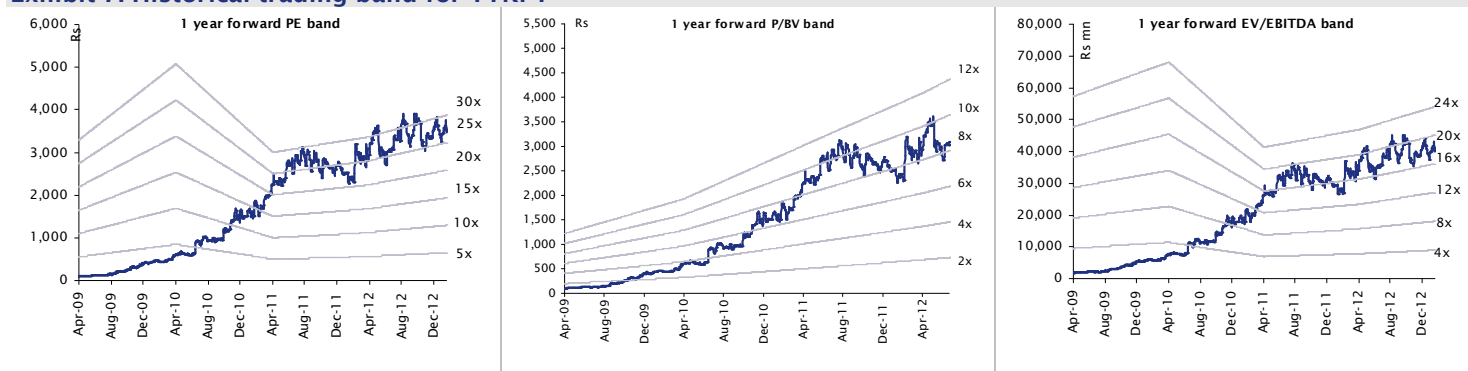
Source: JM Financial

## Exhibit 6. Target price under various scenario

	Units	Bear Case		Base Case		Bull case	
		FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
<b>Revenue Growth</b>		<b>14.7%</b>	<b>13.9%</b>	<b>19.5%</b>	<b>17.4%</b>	<b>25.2%</b>	<b>20.4%</b>
Pressure Cookers & Pans	%	13.1%	12.4%	17.3%	15.0%	22.8%	15.8%
Non stick Cookware	%	2.0%	2.0%	5.0%	5.0%	8.0%	8.0%
Kitchen Appliances (incl gas stoves)	%	15.0%	15.0%	21.6%	20.0%	29.0%	25.0%
Revenue (₹ mn)	₹ mn	15,433	17,584	16,077	18,873	16,855	20,285
Growth	%	14.7%	13.9%	19.5%	17.4%	25.2%	20.4%
EBITDA (₹ mn)	₹ mn	2,053	2,391	2,331	2,850	2,663	3,164
Growth	%	5.2%	16.5%	20.7%	22.3%	36.5%	18.8%
EBITDA margin	%	13.3%	13.6%	14.5%	15.1%	15.8%	15.6%
Net Profit (₹ mn)	₹ mn	1,315	1,576	1,512	1,901	1,748	2,124
Growth	%	3.3%	19.8%	20.2%	25.7%	37.3%	21.5%
EPS	₹	116.0	139.1	133	168	154	187
PE Multiple (x)	x		16.0		19.0		24.0
Fair value for Kitchen Appliances business	₹ per share		2,225		3,186		4,496
Value of real estate venture	₹ per share		67		67		0
<b>Target Price</b>	<b>₹ per share</b>		<b>2,292</b>		<b>3,254</b>		<b>4,496</b>
Risk to Target Price	%		41.9%				38.2%

Source: Company, JM Financial

## Exhibit 7. Historical trading band for TTKPT



Source: Bloomberg, JM Financial

## Financial Tables

Profit & Loss Statement (₹ mn)					
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
Net sales (Net of excise)	7,636	11,034	13,459	16,077	18,873
Growth (%)	50.3	44.5	22.0	19.5	17.4
Other operational income	0	0	0	0	0
Raw material (or COGS)	4,098	6,179	7,672	9,084	10,663
Personnel cost	530	730	848	1,045	1,227
Other expenses (or SG&A)	1,791	2,405	2,988	3,617	4,133
<b>EBITDA</b>	<b>1,217</b>	<b>1,720</b>	<b>1,952</b>	<b>2,331</b>	<b>2,850</b>
EBITDA (%)	15.9	15.6	14.5	14.5	15.1
Growth (%)	57.0	41.4	13.4	19.5	22.3
Other non-op. income	43	31	34	37	37
Depreciation and amort.	43	62	88	173	179
EBIT	1,217	1,689	1,897	2,195	2,708
Add: Net interest income	-8	-56	-120	-60	-24
Pre tax profit	1,209	1,632	1,777	2,135	2,684
Taxes	366	499	504	623	783
Add: Extraordinary items	-6	-6	0	0	0
Less: Minority interest	0	0	0	0	0
Reported net profit	838	1,128	1,273	1,512	1,901
<b>Adjusted net profit</b>	<b>843</b>	<b>1,134</b>	<b>1,273</b>	<b>1,512</b>	<b>1,901</b>
Margin (%)	11.0	10.3	9.5	9.4	10.1
Diluted share cap. (mn)	11	11	11	11	11
<b>Diluted EPS (₹)</b>	<b>74.4</b>	<b>100.0</b>	<b>112.3</b>	<b>133.4</b>	<b>167.7</b>
Growth (%)	73.4	34.4	12.3	18.8	25.7
Total Dividend + Tax	323	197	263	329	395

Source: Company, JM Financial

Balance Sheet (₹ mn)					
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
Share capital	113	113	113	113	113
Other capital	0	0	0	0	0
Reserves and surplus	1,801	2,738	3,747	4,931	6,436
Networth	1,915	2,851	3,861	5,044	6,549
Total loans	23	597	1,100	400	400
Minority interest	0	0	0	0	0
<b>Sources of funds</b>	<b>1,937</b>	<b>3,448</b>	<b>4,961</b>	<b>5,444</b>	<b>6,949</b>
Intangible assets	0	0	0	0	0
Fixed assets	892	2,029	3,522	4,022	4,172
Less: Depn. and amort.	473	522	610	783	962
Net block	419	1,507	2,912	3,239	3,210
Capital WIP	391	794	500	200	200
Investments	226	4	4	4	4
Def tax assets/- liability	-33	-68	-107	-153	-212
Current assets	3,219	4,532	6,065	7,313	9,761
Inventories	1,050	1,749	2,397	2,643	3,102
Sundry debtors	747	1,060	1,659	1,982	2,327
Cash & bank balances	535	223	125	438	1,690
Other current assets	0	0	0	0	0
Loans & advances	887	1,499	1,884	2,251	2,642
Current liabilities & prov.	2,285	3,320	4,414	5,159	6,014
Current liabilities	1,370	1,881	2,837	3,201	3,731
Provisions and others	915	1,439	1,576	1,958	2,283
Net current assets	934	1,212	1,651	2,154	3,747
Others (net)	0	0	0	0	0
<b>Application of funds</b>	<b>1,937</b>	<b>3,448</b>	<b>4,961</b>	<b>5,444</b>	<b>6,949</b>

Source: Company, JM Financial

Cash flow statement (₹ mn)					
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
Reported net profit	838	1,128	1,273	1,512	1,901
Depreciation and amort.	43	49	88	173	179
-Inc/dec in working cap.	-114	-501	-291	-205	-274
Others	0	0	0	0	0
<b>Cash from operations (a)</b>	<b>766</b>	<b>676</b>	<b>1,070</b>	<b>1,480</b>	<b>1,806</b>
-Inc/dec in investments	-222	222	0	0	0
Capex	-212	-1,540	-1,200	-200	-150
Others	-68	-88	-248	15	-67
<b>Cash flow from inv. (b)</b>	<b>-502</b>	<b>-1,406</b>	<b>-1,448</b>	<b>-185</b>	<b>-217</b>
Inc/-dec in capital	159	6	0	0	0
Dividend+Tax thereon	-323	-197	-263	-329	-395
Inc/-dec in loans	-5	574	503	-700	0
Others	1	36	39	46	58
<b>Financial cash flow (c)</b>	<b>-168</b>	<b>418</b>	<b>279</b>	<b>-983</b>	<b>-337</b>
Inc/-dec in cash (a+b+c)	96	-312	-99	313	1,252
Opening cash balance	440	535	223	125	438
Closing cash balance	535	223	125	438	1,690

Source: Company, JM Financial

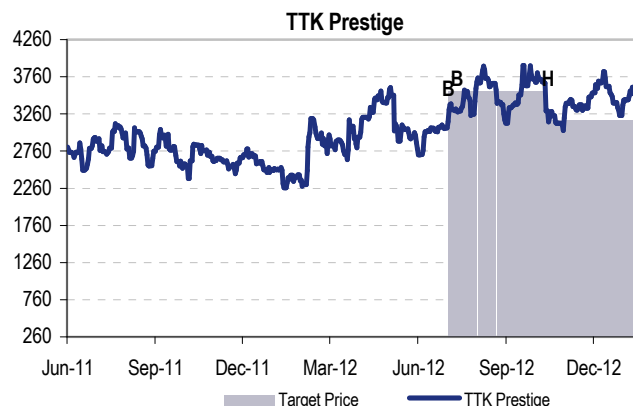
Key Ratios					
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
BV/Share (₹)	168.9	251.5	340.6	445.0	577.8
ROIC (%)	76.0	50.7	33.7	31.6	37.4
ROE (%)	53.4	47.6	37.9	34.0	32.8
Net Debt/equity ratio (x)	-0.4	0.1	0.3	0.0	-0.2
<b>Valuation ratios (x)</b>					
PER	46.6	34.7	30.9	26.0	20.7
PBV	20.5	13.8	10.2	7.8	6.0
EV/EBITDA	31.7	23.1	20.6	16.9	13.3
EV/Sales	5.1	3.6	3.0	2.4	2.0
<b>Turnover ratios (no.)</b>					
Debtor days	36	35	45	45	45
Inventory days	50	58	65	60	60
Creditor days	122	111	135	129	128

Source: Company, JM Financial

## History of earnings estimates and target price

Date	FY13E EPS (₹)	% Chg.	FY14E EPS (₹)	% Chg.	Target Price	Target Date	% Chg.
2-Jul-12	126.8		166.4		3,563	Mar-13	
11-Jul-12	126.8	0.0	166.4	0.0	3,563	Mar-13	0.0
14-Oct-12	112.0	-11.7	139.4	-16.2	3,176	Dec-13	-10.9

## Recommendation history



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