

RESULTS

REVIEW

TTK Prestige Ltd.

Power woes 'induct' slower growth

REDUCE

Analyst

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Nifty: 5,676; Sensex: 18,675

CMP	Rs3,314
Target Price	Rs3,019
Potential Upside/Downside	(9)%

Key Stock Data

Sector	Consumer Durables
Bloomberg / Reuters	TTKPT IN / TTKL.BO
Shares o/s (mn)	11
Market cap. (Rs mn)	36,454
Market cap. (US\$ mn)	690
3-m daily average vol.	19,053

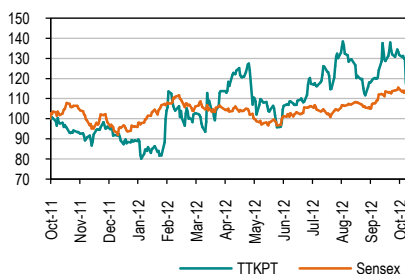
Price Performance

52-week high/low	Rs3,996/2,151		
	-1m	-3m	-12m
Absolute (%)	(2)	9	17
Rel to Sensex (%)	(6)	(1)	4

Shareholding Pattern (%)

Promoters	74.9
FII/IRIs/OCBs/GDR	12.2
MFs/Banks/FIs	3.4
Non Promoter Corporate	0.9
Public & Others	8.6

Relative to Sensex



Source: Capitaline

Summary

TTK Prestige (TTKPT) reported revenue growth of ~11% YoY, significantly below estimate. OPM at ~14.8%, was lower than estimate. APAT de-grew by ~10% YoY, and was significantly below estimate. The lower growth in revenues is due to de-growth in cookware segment and lower appliance sales (mainly induction cooktop). The sales of induction cooktop declined due to lower power availability in Tamil Nadu (contributes ~45% of induction cooktop sales) and steep increase in electricity tariff across the country. The lower induction cooktop sales also resulted in lower off take of induction cookware which further affected growth. Management has maintained its revenue guidance of 25% YoY growth in FY13, as it has seen improvement of consumer sentiment during October, 2012. Recommend REDUCE with a revised price target of Rs3,019 (20x FY14).

Result Highlights

- Revenue growth ~11% YoY, led mainly by pressure cooker sales

TTKPT posted revenue growth of ~11% YoY, significantly lower than estimate. Pressure cooker sales grew by ~20% YoY, appliances ~7% YoY, whereas cookware de-grew by ~13% YoY. The appliances sales were impacted due to lower induction cooktop sales in Tamil Nadu (which accounts for ~45% of induction cooktop sales for the company) as there was lack of availability of power. Also steep increase in power tariff across the country resulted in lower appliances sales. Due to lower off take of induction cooktops, induction cookware sales too declined in the quarter thus resulting in de-growth YoY.

- OPM at ~14.8%; lower than estimate

TTKPT reported an OPM of ~14.8%, a decline of ~160bps YoY. The YoY decline in OPM is due to increase in raw material cost by ~100bps (as the proportion of pressure cooker and cookware in total sales where margins are higher declined to ~55% in Q2FY13 from ~57% in Q2FY12) and higher operating and employee expenses (up ~60 bps YoY due to lower sales). We factor OPM of ~14.9% for FY13.

- APAT de-growth of 10% YoY, significantly lower than estimate

APAT de-grew by ~10% YoY due to significant decline in OPM, higher financial cost and increased depreciation. Interest cost (up 185% YoY) increased due to debt taken for expansion of capacities. Depreciation (up 67% YoY) increased due to capital expenditure incurred in previous year.

- FY13 guidance maintained at ~25% growth

TTKPT management has maintained its guidance of ~25% growth in FY13. In 1HFY13 revenue grew by ~19% and for the management to achieve its guidance, revenue has to grow at ~30% in 2HFY12. The management believes that the demand environment has improved in October and with a six cylinder cap on subsidized cylinders it should see a significant pick-up in demand for appliances such as Induction cooktops which will enable it to achieve its guidance. For OPM in FY13 the management has guided for ~15%-15.5%.

- Working capital gets stretched, management hopeful of recovery

Working capital during 1HFY13 got significantly enhanced due to significantly build-up of inventory as sales in Q2FY13 were significantly below what was anticipated by the management. Also, due to liquidity crunch with dealers there was a delay in payment. Management has stated with improved demand conditions seen in October they are hopeful of this enhanced working capital reversing to its normal levels.

- Cutting FY13/14E PAT estimates by 12%/8%

We are reducing FY13/14 revenue estimates by ~6% and OPM estimate for FY13 by ~40 bps to 14.9%. PAT estimates have thus been cut by ~12%/8% for FY13/14E. We have not factored any decline in working capital.

- Outlook and valuation

TTKPT results are significantly below estimates. We continue to believe TTKPT has a strong product portfolio and will witness earnings CAGR of 23% in FY12-14. However, due to lack of power availability and increased power tariff there will be near term growth pressures. We cut our rating to REDUCE on the stock due to rich valuations and near term growth concerns with a revised target price of Rs3,019 (20x FY14).

Financial snapshot

(Rs mn)

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
FY11	7,636	1,218	15.9	843	74.5	44.5	30.2	53.4	74.4
FY12	11,034	1,714	15.5	1,134	100.1	33.1	22.1	47.6	61.6
FY13E	13,382	1,994	14.9	1,259	111.2	29.8	19.2	38.2	46.4
FY14E	16,798	2,570	15.3	1,709	150.9	22.0	14.5	39.3	50.7

Source: Company; IDBI Capital Research

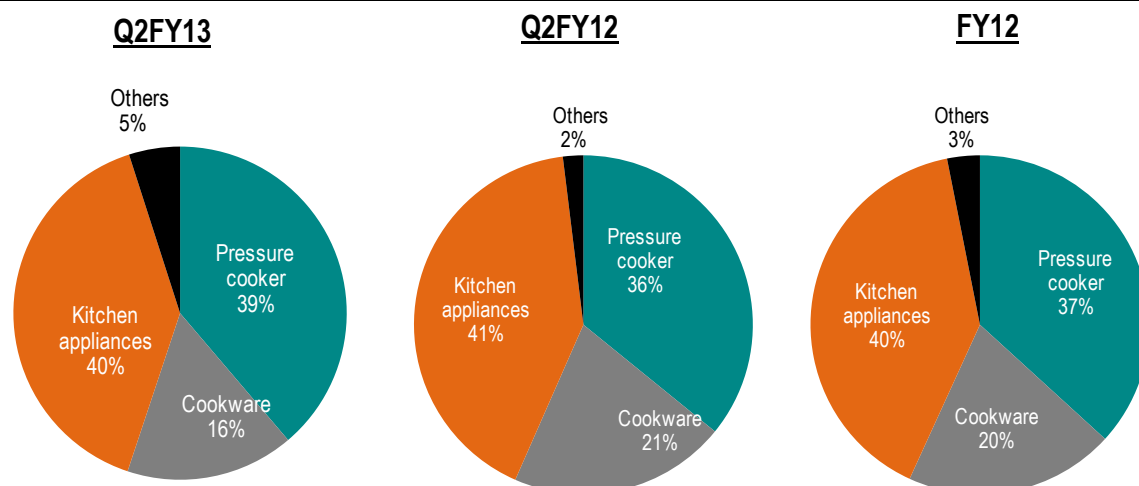
Table: Quarterly snapshot

(Rs mn)

Particulars	Q2FY12	Q2FY13	YoY (%)	H1FY12	H1FY13	YoY (%)
Net sales/Operating income	3,034.8	3,355.5	11	5,366	6,381	19
Raw Material consumed	636	503	(21)	1,150	1,232	7
As a % of sales	21	15		21	19	
Purchase of traded goods	1,048	1,392	33	1,753	2,392	36
As a % of sales	35	41		33	37	
Employee Expenses	184	210	14	344	412	20
As a % of sales	6	6		6	6	
Other operating expenses	669	754	13	1,250	1,370	10
As a % of sales	22	22		23	21	
Total Operating Expenses	2,536.8	2,858.8	13	4,497	5,406	20
EBITDA	498.0	496.7	0	869.3	974.9	12
EBITDA margin (%)	16.4	14.8		16.2	15.3	
Other income	10	10	1	17	17	(3)
Interest	13	36	185	18	62	254
Depreciation	13	22	67	24	42	78
Profit/(loss) before tax	482	449	(7)	846	888	5
Tax	145.3	146.5	1	255.1	278.3	9
Tax rate (%)	30.1	32.6		30.2	31.3	
Adj Net profit	337.1	302.8	(10)	590.5	609.6	3
Extra ordinaries	0	0		0		
Reported Net Profit	337.1	302.8	(10)	590.5	609.6	3

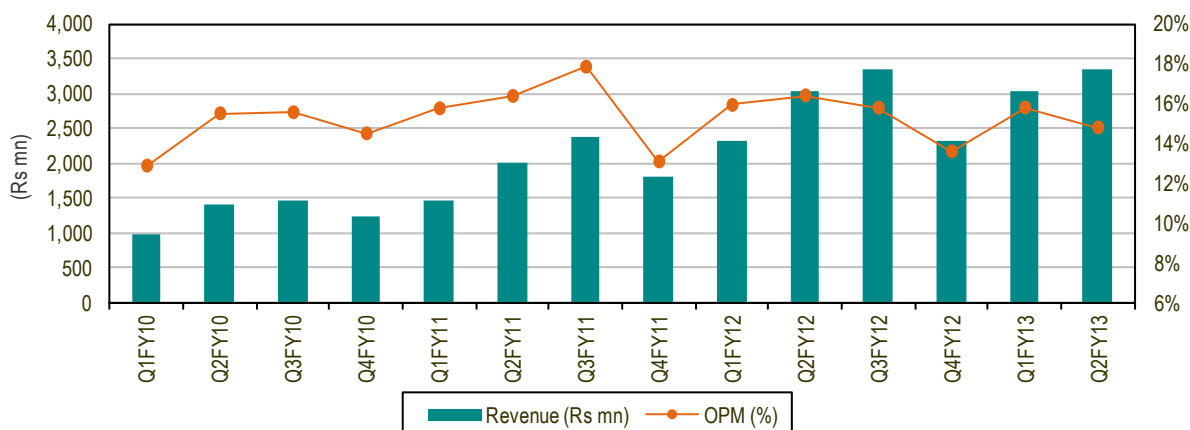
Source: Company; IDBI Capital Research

Figure: Revenue break-up



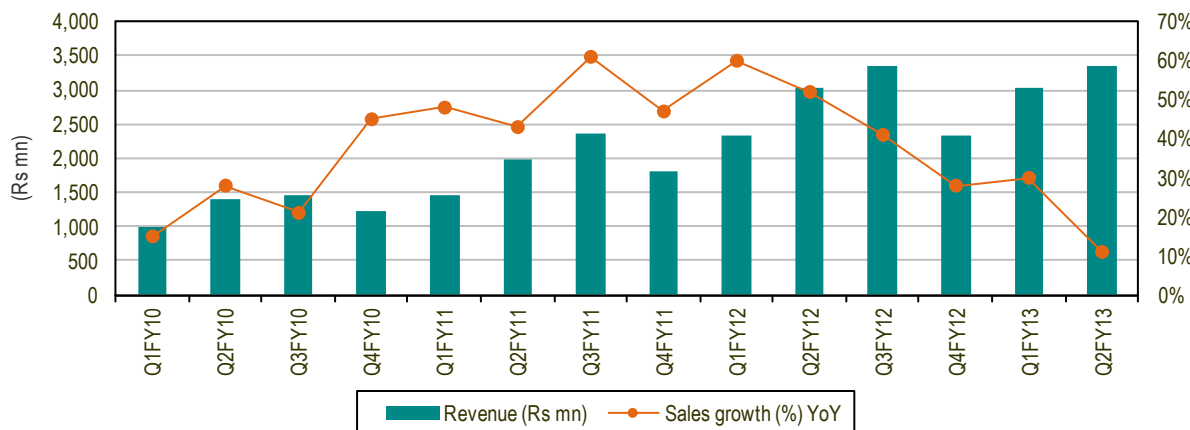
Source: Company; IDBI Capital Research

Figure: Quarterly Revenue and OPM



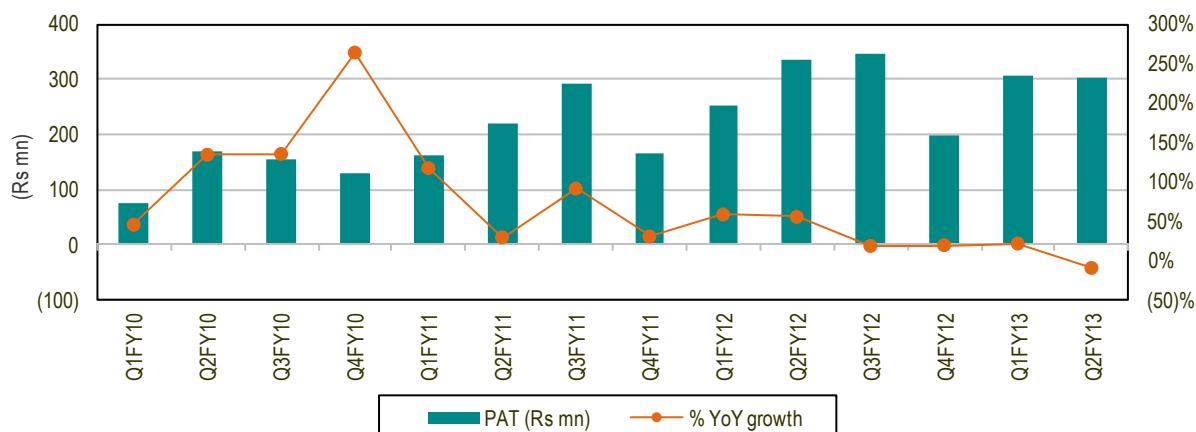
Source: Company; IDBI Capital Research

Figure: Quarterly revenue and YoY growth



Source: Company; IDBI Capital Research

Figure: Quarterly PAT and YoY growth



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY11	FY12	FY13E	FY14E
Net sales	7,636	11,034	13,382	16,798
Growth (%)	50.3	44.5	21.3	25.5
Operating expenses	(6,418)	(9,321)	(11,388)	(14,228)
EBITDA	1,218	1,714	1,994	2,570
Growth (%)	62.3	40.7	16.4	28.9
Depreciation	(43)	(62)	(94)	(136)
EBIT	1,217	1,689	1,934	2,502
Interest paid	(8)	(56)	(135)	(61)
Other income	42	38	34	68
Pre-tax profit	1,204	1,632	1,799	2,441
Tax	(366)	(499)	(540)	(732)
Effective tax rate (%)	30.4	30.6	30.0	30.0
Net profit	838	1,134	1,259	1,709
Adjusted net profit	843	1,134	1,259	1,709
Growth (%)	74.0	34.4	11.1	35.7
Shares o/s (mn nos)	11	11	11	11

Balance Sheet

(Rs mn)

Year-end: March	FY11	FY12	FY13E	FY14E
Net fixed assets	810	2,300	3,017	2,936
Investments	4	4	4	4
Other non-curr assets	-	-	-	-
Current assets	3,441	4,532	4,909	6,095
Inventories	1,050	1,749	1,687	2,025
Sundry Debtors	747	1,060	1,247	1,565
Cash and Bank	535	223	216	297
Loans and advances	-	-	-	-
Total assets	4,255	6,836	7,930	9,035
Shareholders' funds	1,915	2,851	3,742	4,952
Share capital	113	113	113	113
Reserves & surplus	1,801	2,738	3,629	4,839
Total Debt	23	597	1,012	22
Secured loans	14	449	22	22
Unsecured loans	8	147	990	-
Other liabilities	55	665	1,081	91
Curr Liab & prov	3,199	4,759	4,015	5,224
Current liabilities	2,285	3,320	3,107	3,993
Provisions	915	1,439	908	1,232
Total liabilities	2,340	3,985	4,188	4,083
Total equity & liabilities	4,255	6,836	7,930	9,035
Book Value (Rs)	167	250	329	436

Source: Company; IDBI Capital Research

Cash Flow Statement

(Rs mn)

Year-end: March	FY11	FY12	FY13E	FY14E
Pre-tax profit	1,204	1,632	1,799	2,441
Depreciation	43	49	94	136
Tax paid	(365)	(463)	(540)	(732)
Chg in working capital	279	23	(337)	229
Other operating activities	(0)	-	(0)	0
Cash flow from operations (a)	1,161	1,242	1,017	2,074
Capital expenditure	(212)	(1,540)	(811)	(55)
Chg in investments	-	-	-	-
Other investing activities	(461)	(612)	(261)	(449)
Cash flow from investing (b)	(895)	(1,930)	(1,072)	(504)
Equity raised/(repaid)	0	(0)	(0)	(0)
Debt raised/(repaid)	(5)	574	416	(990)
Dividend (incl. tax)	(164)	(197)	(368)	(499)
Chg in minorities	-	-	-	-
Other financing activities	-	-	-	-
Cash flow from financing (c)	(170)	377	48	(1,489)
Net chg in cash (a+b+c)	96	(312)	(7)	80

Financial Ratios

Year-end: March	FY11	FY12	FY13E	FY14E
Adj. EPS (Rs)	74.5	100.1	111.2	150.9
Adj. EPS growth (%)	74.0	34.4	11.1	35.7
EBITDA margin (%)	15.9	15.5	14.9	15.3
Pre-tax margin (%)	15.8	14.8	13.4	14.5
ROE (%)	53.4	47.6	38.2	39.3
ROCE (%)	74.4	61.6	46.4	50.7
Turnover & Leverage ratios (x)				
Asset turnover (x)	2.2	2.0	1.8	2.0
Leverage factor (x)	2.2	2.3	2.2	2.0
Net margin (%)	11.0	10.3	9.4	10.2
Net Debt / Equity (x)	(0.4)	0.1	0.2	(0.1)
Working Capital & Liquidity ratio				
Inventory days	50	58	46	44
Receivable days	36	35	34	34
Payable days	42	40	38	38

Valuation

Year-end: March	FY11	FY12	FY13E	FY14E
PER (x)	44.5	33.1	29.8	22.0
Price/Book value (x)	19.8	13.3	10.1	7.6
PCE (x)	42.3	31.4	27.7	20.3
EV/Net sales (x)	4.8	3.4	2.9	2.2
EV/EBITDA (x)	30.2	22.1	19.2	14.5
Dividend Yield (%)	0.4	0.5	0.8	1.1



Notes

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Key to Ratings

Stocks:

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto $\pm 5\%$; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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