

**NOT
RATED**
TTK PRESTIGE

| Consumer Durables

| 15 June 2023

Navigating troubled times with confidence

- Management optimistic of strong demand recovery in H2FY24; foresees no requirement for price hikes in near term
- Focus on innovation-led products expected to counter steep discounts by peers on entry-level products
- Aims to maintain leadership and market share in the face of rising competition

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We hosted a call with K Shankaran, ED of TTK Prestige (TTKPT IN, Not Rated), a leading name in the kitchen solutions industry. Key takeaways:

Demand respite likely in H2FY24: TTKPT expects lukewarm demand conditions to persist in H1FY24 with meaningful recovery only in H2. Inflationary pressures have led to erosion of purchasing power and prompted heavy discounts by peers for entry-level products. Management expects demand recovery and growth from new SKUs/products to aid performance in H2.

No price hikes planned: After taking hikes in the past to offset commodity inflation, management does not see any reason for further price increases, even during the upcoming festive season.

Relaunching of 'Judge': The company's *Judge* brand was targeted at the entry segment given ample demand and the lack of quality rival products. However, due to heavy discounting by peers along with its own limited product and distribution range for *Judge*, TTKPT decided to strengthen the product branding to *Judge by Prestige*. The company have also identified gaps in the product portfolio and does not anticipate cannibalisation following the rebranding.

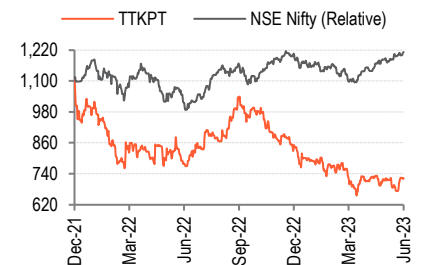
Prepared for competition: Per management, recent acquisitions in the industry indicate that existing brands exchanged hands and no new competition was added. TTKPT believes its strong brand recall, diverse product range and premiumisation-led strategy is capable of fighting competition. Management does expect market share to reduce in the near term amid increased competition but aims to regain ground via new innovative products and brand relaunch. It does not subscribe to the deep discounting tactics adopted by other players to recoup market share.

Ultrafresh on track: TTKPT has a 51% stake in Ultrafresh Modular Solutions which is engaged in the business of modular kitchens and kitchen appliances. Per management, cross-selling opportunities across geographies are boosting growth.

Ticker/Price	TTKPT IN/Rs 727
Market cap	US\$ 1.2bn
Free float	30%
52wk high/low	Rs 1,050/Rs 652
Promoter/FPI/DII	70%/9%/14%

Source: NSE | Price as of 15 Jun 2023

Stock performance



Source: NSE



Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21A	FY22A	FY23P
Total revenue	21,069	20,730	21,942	27,225	27,771
COGS	12,206	12,046	12,762	15,949	16,607
Employee Expense	1,860	1,893	1,912	2,187	2,364
Other expense	4,083	4,156	3,996	4,830	5,215
EBITDA	2,920	2,635	3,273	4,259	3,585
EBITDA margin (%)	13.9	12.7	14.9	15.6	12.9
Depreciation	265	366	400	442	530
EBIT	2,656	2,269	2,873	3,818	3,055
Net interest inc./(exp.)	45	55	51	62	80
Other inc./(exp.)	252	247	287	351	457
Exceptional items					
EBT	2,863	2,461	3,110	4,106	3,432
Income taxes	940	499	800	1,052	882
Extraordinary items	-	117	(58)	-	-
Min. int./Inc. from assoc.	(0)	(0)	-	(6)	(8)
Reported net profit	1,923	1,845	2,368	3,048	2,542
Adjustments					
Adjusted net profit	1,923	1,962	2,310	3,048	2,542

Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21A	FY22A	FY23P
Accounts payables	2,033	1,978	2,538	3,894	2,712
Other current liabilities	1,808	2,090	1,611	1,650	2,111
Provisions					
Debt funds	543	486	835	923	1,309
Other liabilities	473	374	349	382	324
Minority Interest	-	24	0	0	33
Equity capital	116	139	139	139	139
Reserves & Surplus	11,547	12,924	14,912	17,157	19,246
Shareholders Fund	11,663	13,087	15,050	17,296	19,385
Total liab. and equities	16,519	18,015	20,384	24,145	25,875
Cash and cash eq.	811	576	1,612	4,046	5,956
Accounts receivables	3,051	2,781	2,909	3,297	3,331
Inventories	4,714	4,706	4,479	5,856	5,930
Other current assets	2,140	3,818	4,960	4,144	3,399
Investments	264	1	179	195	2
Net fixed assets	5,020	5,725	5,547	5,967	6,836
CWIP	206	57	180	66	98
Other assets	314	351	518	573	325
Total assets	16,519	18,015	20,383	24,145	25,875

Cash Flows

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21A	FY22A	FY23P
Cash flow from	940	2,535	2,888	2,936	1,990
Capital expenditures	(572)	(577)	(283)	(412)	(654)
Change in investments	391	(1,413)	(1,704)	(1,875)	(1,351)
Other investing cash flows	179	153	146	78	437
Cash flow from investing	(2)	(1,837)	(1,841)	(2,210)	(1,569)
Equities issued/Others	-	-	-	-	-
Debt raised/repaid	(380)	(421)	(245)	(123)	(151)
Other financing cash flows	(463)	(534)	(575)	(785)	(524)
Cash flow from	(843)	(955)	(821)	(907)	(675)
Chg in cash & cash eq.	95	(257)	227	(181)	(254)

Per Share

Y/E 31 Mar (Rs)	FY19A	FY20A	FY21A	FY22A	FY23P
Reported EPS	13.9	13.3	17.1	22.0	18.3
Adjusted EPS	13.9	14.2	16.7	22.0	18.3
Dividend per share	30.0	20.0	5.0	6.0	6.0
Book value per share	84.1	94.2	108.6	124.8	139.9

Valuations Ratios

Y/E 31 Mar (x)	FY19A	FY20A	FY21A	FY22A	FY23P
EV/Sales	4.6	4.7	4.4	3.6	3.5
EV/EBITDA	33.4	37.0	29.8	22.9	27.2
Adjusted P/E	52.3	51.3	43.6	33.0	39.6
P/BV	8.6	7.7	6.7	5.8	5.2

DuPont Analysis

Y/E 31 Mar (%)	FY19A	FY20A	FY21A	FY22A	FY23P
Tax burden (Net profit/PBT)	0.7	0.8	0.7	0.7	0.7
Interest burden (PBT/EBIT)	1.1	1.1	1.1	1.1	1.1
EBIT margin (EBIT/Revenue)	0.1	0.1	0.1	0.1	0.1
Asset turnover (Rev./Avg TA)	4.2	3.6	4.0	4.6	4.1
Leverage (Avg TA/Avg Equity)	0.9	0.5	0.4	0.4	0.4
Adjusted ROAE	33.0	15.9	16.4	18.8	13.9

Ratio Analysis

Y/E 31 Mar	FY19A	FY20A	FY21A	FY22A	FY23P
YoY growth (%)					
Revenue	12.6	(1.6)	5.8	24.1	2.0
EBITDA	18.0	(9.8)	24.2	30.1	(15.8)
Adjusted EPS	43.0	2.0	17.7	32.0	(16.6)
Profitability & Return ratios (%)					
EBITDA margin	13.9	12.7	14.9	15.6	12.9
EBIT margin	12.6	10.9	13.1	14.0	11.0
Adjusted profit margin	9.1	9.5	10.5	11.2	9.2
Adjusted ROAE	33.0	15.9	16.4	18.8	13.9
ROCE	21.8	16.7	18.1	21.0	14.8
Working capital days (days)					
Receivables	53	49	48	44	44
Inventory	82	83	75	79	78
Payables	35	35	42	52	36
Ratios (x)					
Gross asset turnover	4.2	3.6	4.0	4.6	4.1
Current ratio	2.8	2.9	3.4	3.1	3.9
Net interest coverage ratio	59.0	41.6	56.9	61.4	38.3
Adjusted debt/equity	0.0	0.0	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Note: Recommendation structure changed with effect from 21 June 2021

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