

TTK Prestige

Rs 5555
Lord of Indian Kitchens

BSE Sensex: 40,445

Nifty-50: 11,922

TTK Prestige: Consolidated Financials

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT	EO	PBT AFTER EO	TAXATION	PAT	EPS (RS)*
1803 (12)	1871.35	13.2	247.44	12.43	259.87	4.09	255.78	25.61	230.17	-128.96	359.13	95.64	263.49	121.7
1903 (12)	2106.91	13.9	292.02	25.24	317.26	4.5	312.76	26.46	286.3	0	286.3	93.95	192.35	138.6
2003 (12P)	2197	13.9	305.1	27.81	332.91	4.47	328.44	33.37	295.07	0	295.07	62.71	232.35	167.4
2103 (12P)	2416.7	14.3	345.59	30.59	376.18	4.55	371.63	36.71	334.92	0	334.92	87.08	247.84	178.6

* EPS is on current equity of Rs 13.88 crore, Face value of Rs 10. # EPS is not annualised due to seasonality of business. ** Variance could not be calculated as no previous period figures. Figures in Rs crore. Source: Capitaline Databases

TTK Prestige is among the leading brands in the kitchen appliances space with a wide range of product categories such as pressure cookers, cookware, gas stoves and domestic kitchen electrical appliances.

TTK Prestige set up in 1955 at Chennai as a private limited company and started manufacturing pressure cookers in 1959 with technical collaboration from Prestige Group of the United Kingdom.

The company went public in 1988. It is the flagship company of the Chennai based TT Krishnamachari group of companies, which has interests in healthcare and consumer products and services.

The company has five manufacturing units at Hosur (Tamilnadu), Myleripalayam (Near Coimbatore, Tamilnadu), Roorkee (Uttarakhand), Karjan (Near Vadodara, Gujarat) and Khardi (Near Thane, Maharashtra). The company has recently completed expansion of its Coimbatore and Vadodara facilities for manufacture of stainless steel pressure cookers/kitchenware.

The commercial production of the expanded capacity has commenced in Oct 2019. Post capacity expansion the capacity of the company for pressure cookers is around 9 million, cookware around 15 million and for some appliances such as rice cookers and induction cooktops it is about 1 million pieces.

Strong market position

The company is well diversified in terms of products as well as market presence. TTK has diverse product basket/offering in the kitchen equipment/appliance portfolio, which includes cookware, appliances, gas stoves, mixer grinders, cleaning solutions, and modular kitchens.

On the strength of large product basket in the kitchen appliance space, the revenue stream of the company is diversified, with about 32% of revenue in H1FY20 come from cookers, about 49% from appliances, 16% from cookware and balance 3% from others.

TTK's Prestige is one of the strongest and trusted brands in the kitchen appliances space. In cookware market the company has a share of 35-40% in terms of value and in volume it is 4 times the size of its nearest competition.

Similarly the company is market leader in value added gas stoves, industrial cooktops, kettle and electric rice cookers. The company is almost number 3 player in mixer grinders.



STOCK DATA

BSE Code	:	517506
BSE Group	:	A
NSE Code	:	TTKPRESTIG
Reuters	:	TTKL.BO
Bloomberg	:	TTKPT:IN
Par Value	:	Rs 10
52-week High/Low	:	Rs 7739 / Rs 5047
Sector	:	Consumer durable

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 10.43
Institutions	: 8.83
Govt Holding	: -
Corporate Holding	: 1.79
Promoters	: 70.41
Public & Others	: 8.55

* as on 30-09-2019

Source: Capitaline Databases

The in-house product development team helps launch new products to expand the product base and improve overall efficiency.

Currently of the total domestic sales about 50% is accounted by Southern States and balance 50% from rest of the India. TTK is expected to maintain its strong market position over the medium term, driven by its widening distribution network and increasing opportunities in the export market.

The company has presence in every distribution channel traditional dealers, modern format stores, exclusive retail network or online stores.

The company's exclusive retail stores i.e. "Prestige Xclusive" currently numbers 569 and continue to provide a significant contribution at about 15% of its topline.

The company is also continuing the process of strengthening the service network and call centre operations with current strength of the service network stand at 391. The service centres also provides the platform to increase sale of original spares

Continue to work on broad basing product offerings

Company has been continuously broad basing its product offerings, customer segments and geographical coverage. The company is moving towards premiumization because newer products have got better technology and will cost more. But that does not mean the company is exiting the mass market.

In the last two years, the company has entered product categories adjacent to the Kitchen. This adjacent space consists of several distinct product lines – Electrical and non-electrical cleaning products/ appliances, Water Purifiers, Electric Irons, Lanterns, etc.,

The cleaning Solutions and other Home Requisites business is ramping up well with the monthly run rate currently increased to Rs 3 crore a month from about just Rs 0.50 crore a month two years ago. This is just by tapping only a few markets.

Recently launched Tattva range of non-electric water purifiers, Vacuum Cleaners etc. have gained trade and consumer acceptance.

The company is closely considering other product categories relevant to the home. The market for these adjacent product categories is huge and growing, the market share is fragmented with a lot of players – national, regional and unorganized.

The company has mapped these segments and is expanding geographical coverage step by-step. The approach includes having an appropriate range in each of the product lines, with differentiation in product offering and price points.

Off-late the company to cater to newer consumer segments within India as well as global markets, started utilizing the "JUDGE" brand, which belongs to the wholly owned subsidiary Horwood Homewares.

This is a tactical brand and will be utilized to target consumer segments hitherto untapped by the company. Many unorganized brands which slowed down are trying to come back with modified price points. Judge brand will try to make inroads in this market segment.

Continuous interaction with the ultimate user of the product has been helping the company in identifying the pain points and offering solutions in the form of innovative products, concepts and consumer offer of bundled products for a holistic use. This focus helps the Company to create opportunities even in the face of depressed consumer sentiment.

The revenue stream of TTK Prestige is diversified, with about 32% of revenue in H1FY20 come from cookers, about 49% from appliances, 16% from cookware and balance 3% from others

In cookware market the company has a share of 35-40% in terms of value and in volume it is 4 times the size of its nearest competition. Similarly the company is market leader in value added gas stoves, industrial cooktops, kettle and electric rice cookers. The company is almost number 3 player in mixer grinders

Steady growth in H1FY20 despite weak market

Consolidated sales for the half year ended Sep 2019 was higher by 4% to Rs 1067.50 crore driven by strong high single digit growth in appliance and cookware. While the standalone sales of cookers was down by 5% on the back of floods/heavy rains impacting onam demand and heavy discounting in Southern states, the cookware and appliances grew by 6% and 9% for the period driving the topline.

Higher sales together with 20 bps expansion in operating profit margin to 13.5% has facilitated 4% growth in operating profit to Rs 143.58 crore.

The other income was up by 16% to Rs 12.63 crore and thus the PBIDT was up by 5% to Rs 156.21 crore. The PBT was up by 4% to Rs 138.05 crore after accounting for lower interest cost and higher depreciation.

With taxation standing lower by 50% to Rs 21.89 crore as the company opted for lower tax rate as per the recent ordinance, the PAT jumped by 30% to Rs 116.16 crore.

Sales for the quarter ended Sep 2019 was up by 4% to Rs 606.30 crore driven by strong high single digit growth in appliance and cookware with cooker reporting early single digit degrowth.

Higher sales together with 40 bps expansion in operating profit margin to 14.4% has powered the operating profit up by 7% to Rs 87.43 crore. The PBT was up by 5% to Rs 83.65 crore after accounting for lower other income, higher interest and depreciation. Eventually the PAT jumped up by 50% to Rs 80.34 crore gained by 88% fall in taxation to Rs 3.31 crore.

Consolidated gross debt as end of Sep 30, 2019 stood declined to Rs 34.77 crore down from Rs 54.29 crore as end of March 31, 2019. The company has cash and bank balance of Rs 42.53 crore as end of Sep 30, 2019.

Valuation

We expect the company to register a consolidated EPS of Rs 167.4 for FY2020 and Rs 178.6 for FY21. The scrip is trading around Rs 5555, which discounts the projected FY21 EPS by around 31 times.

Recently launched Tattva range of non-electric water purifiers, Vacuum Cleaners etc. have gained trade and consumer acceptance

Off-late the company to cater to newer consumer segments within India as well as global markets, started utilizing the "JUDGE" brand

TTK Prestige: Consolidated Results

	1909 (3)	1809 (3)	VAR. (%)	1909 (6)	1809 (6)	VAR. (%)	1903 (12)	1803 (12)	VAR. (%)
Sales	606.30	583.42	4	1067.50	1031.20	4	2106.91	1871.35	13
OPM (%)	14.4	14.0		13.5	13.3		13.9	13.2	
OP	87.43	81.63	7	143.58	137.66	4	292.02	247.44	18
Other inc.	6.22	6.36	-2	12.63	10.92	16	25.24	12.43	103
PBIDT	93.65	87.99	6	156.21	148.58	5	317.26	259.87	22
Interest	1.27	1.22	4	2.07	2.24	-8	4.50	4.09	10
PBDT	92.38	86.77	6	154.14	146.34	5	312.76	255.78	22
Dep.	8.73	6.77	29	16.09	12.96	24	26.46	25.61	3
PBT	83.65	80.00	5	138.05	133.38	4	286.30	230.17	24
EO	0.00	0.00		0.00	0.00		0.00	-128.96	
PBT after EO	83.65	80.00	5	138.05	133.38	4	286.30	359.13	-20
Taxation	3.31	26.50	-88	21.89	44.06	-50	93.95	95.64	-2
PAT	80.34	53.50	50	116.16	89.32	30	192.35	263.49	-27
Minority Interest (MI)	0.00	0.00		0.00	0.00		0.00	0.00	
PAT after MI	80.34	53.50	50	116.16	89.32	30	192.35	263.49	-27
EPS (Rs)*	#	#		#	#		138.6	121.7	

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Source: Capitaline Databases