

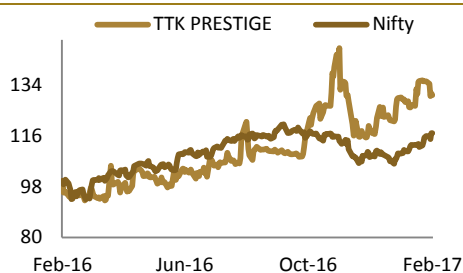
Market statistics

Current stock price (₹)	5,776
Shares O/S (cr.)	1.2
Mcap (₹cr)	6,724
52W H/L (₹)	6,558
6m avg. volume	13,972
Bloomberg	TTKPT IN

Shareholding pattern

Promoters	70.31
Domestic Institution	4.93
Foreign Institution	15.56
Non-institution	24.76
of which more than 1%	
Axis Mutual Fund Trustee Limited	4.88
A/c Axis Mutual Fund A/c	
Nalanda India Equity Fund Ltd	3.46

TTK Prestige vs Nifty



Capital efficiency & valuations

Particulars	*FY17E	FY18E	FY19E
ROE (%)	13.3	14.9	14.7
ROCE (%)	17.7	19.5	19.5
P/B (x)	7.5	6.6	5.8
P/E (x)	56.4	44.2	39.4
EPS (₹)	102.3	130.8	146.6
EV/OCF (x)	50.2	41.1	39.1

*FY17 consol nos including Horwood

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TTK, based on IND AS, standalone net sales de-grew by 2.1% YoY to ₹ 4,282mn. Domestic sales (97% of total sales) declined by 2.0% while Exports grew by 15%. Cooker, Cookware, Appliances & others business grew by 0.5%, -7.6%, 0.6% & 0% respectively

Gross Margin contracted by 125bps YoY to 39.3%. Employee & other expenses grew by 34bps & 33bpsYoY, respectively. Hence, EBITDA Margin contracted by strong 192bps YoY to 11.3%. TTK posted APAT of ₹297mn, de- growth of 20.1% YoY.

Sales on Consolidated level(including Horwood) stood at ₹4,675mn while consolidated PAT was at Rs 317mn. Horwood reported sales of ₹ 416mn while EBITDA margin improved to 18% in Q3FY17 vs 14% in Q2FY17.

Weak Domestic Sales; Harwood performance healthy: TTK's domestic sales got impacted due to demonetization and weakness in Southern market. Cookers (31% of sales) declined by 0.3% in Q3FY17. Cookware (16% of sales) was badly impacted reflecting decline of 7.6%. Appliances (41% of sales) showed muted growth of 0.6%YoY. Newly launched home cleaning products are getting good response. Horwood Home cares sales were also soft & grew by 4% QoQ to ₹393mn & forms 8.4% of consolidated sales. We expect Horwood to grow ~8-10% in coming qtrs and would accelerate TTK's growth. We believe TTK is well prepared to capture any uptick in demand opportunities. Consistent new launches, more number of SKUs and entry to new "Home cleaning segment" would support TTK for better performance going ahead.

Unfavorable product mix & flat sales impacts margin: Gross margin contracted by 125bps due to higher composition of appliances segment & lower cooker sales. Employee and other expenses grew by 34bps & 33bps respectively. Hence EBITDA contracted by 192bps to 11.3% in Q3FY17.

Outlook & Valuation: TTK has unique product portfolio that caters to mid-premium kitchenware products. Among its peers, it is only company whose product portfolio is discretionary in nature. Hence, consumer sentiments & economy growth plays a vital role in TTK's growth performance. We found that in strong GDP growth rate, TTK witnessed superior growth of 2.5-5x of GDP growth as compared to 1.5-3x growth in the slowing GDP.

We have a positive view on long term prospects based on (1) Strong profitable growth history; (2) Superior growth performance in the improving economy; (3) Robust distribution in the domestic business; (4) Most aggressive company in the CD space; (5) Low seasonality in the business; (6) Superior EBITDA Margin as compared to its peers and (7) Healthy RoCE of 20%. However, near term growth outlook in domestic business looks weak and most positives are priced in and valuations are expensive to peers.

The stock trades at a P/E of 44x & 39x of FY18& FY19 estimated EPS.

We Downgrade to HOLD rating pertaining to expensive valuations.

**Exhibit 1: Quarterly Performance**

Particulars (₹mn)	Q3FY17			YoY Chg (%)
	Q3FY16	Q3FY17	Q3FY17	
Net Sales	4,372	4,632	4,282	-2.1%
Total RM	2,601	2,817	2,601	0.0%
Gross Profit	1,771	1,816	1,681	-5.1%
Gross Margin (%)	40.5%	39.2%	39.3%	-125bps
Employee Expenses	288	300	297	3.1%
% of sales	6.6%	6.5%	6.9%	34bps
Other Expenses	903	947	899	-0.5%
% of sales	20.7%	20.4%	21.0%	33bps
TOTAL EXPENDITURE	3,792	4,064	3,796	0.1%
EBITDA	580	568	486	-16.2%
EBITDA Margin (%)	13.3%	12.3%	11.3%	-192bps
Other Income	21	17	18	-12.4%
Depreciation	52	53	56	8.7%
Interest	5	15	9	78.8%
PBT Before Exceptional	544	517	439	-19.4%
Exceptional loss/(gain)	-	-	-	
PBT	544	517	439	-19.4%
Total Tax	172	163	142	-17.8%
Effective tax rate (%)	31.7%	31.6%	32.3%	63bps
Reported PAT	372	354	297	-20.1%
Adjusted PAT	372	354	297	-20.1%
NPM (%)	8.5%	7.6%	6.9%	-157bps

Exhibit 2: Quarterly Product Performance

Particulars (₹mn)	Sales (₹mn)			Sales Mix (%)		
	Q3FY16	Q3FY17	YoY Gr. (%)	Q3FY16	Q3FY17	YoY Gr. (%)
Cookers	1,524	1,519	-0.3%	33.5%	33.8%	32bps
Cookware	855	790	-7.6%	18.8%	17.6%	-120bps
Appliances	2,016	2,028	0.6%	44.3%	45.1%	84bps
Others	159	159	0.0%	3.5%	3.5%	5bps
Total	4,554	4,496	-1.3%	100.0%	100.0%	



Financials

P&L Statement

Y/E Mar (₹ mn)	FY15	FY16	*FY17E	FY18E	FY19E
Net Revenues	13,883	15,251	16,607	18,099	19,746
% Growth	7.3	9.9	8.9	9.0	9.1
Raw Material	7,957	8,535	9,338	10,425	11,289
Staff	1,036	1,114	1,246	1,370	1,505
Selling and Distribution Expenses	2,687	3,098	3,373	3,676	4,010
Other Expenses	676	639	559	90	125
Total Expenditures	12,355	13,386	14,515	15,561	16,929
EBITDA	1,528	1,865	2,092	2,539	2,817
% Growth	(7)	22	12	21	11
EBITDA Margins (%)	11.0	12.2	12.6	14.0	14.3
Other Income	76	96	125	165	169
Interest	79	59	88	88	88
Depreciation	190	209	222	236	251
Profit Before Tax	1,334	1,656	1,824	2,379	2,647
Provision for tax	410	508	569	738	820
Effective tax rate (%)	30.7	30.7	31.2	31.0	31.0
Reported PAT	924	1,148	1,255	1,642	1,826
% Growth	(17.4)	24.3	9.3	30.8	11.2
Adjusted Net Profit	944	1,166	1,192	1,524	1,708
% Growth	(10.3)	23.5	2.2	27.8	12.1

Source: Trust *FY17 consol nos including Horwood

Balance Sheet

₹mn (Y/E Mar)	FY15	FY16	*FY17E	FY18E	FY19E
Equity Share Capital	117	117	117	117	117
Reserves & surplus	6,343	7,113	8,877	10,111	11,511
Shareholders' funds	6,460	7,230	8,993	10,227	11,627
Total Debt	-	-	1,174	1,174	1,174
Others	345	381	381	381	381
Capital Employed	6,805	7,611	10,548	11,782	13,182
Net fixed assets	3,629	3,353	5,480	5,554	5,613
Cash & Cash Eq.	296	308	694	1,306	1,963
Net Current Assets (Ex-cash)	2,767	3,611	3,806	4,125	4,579
Investments	35	238	438	638	838
Others	79	100	130	160	190
Total Assets	6,805	7,611	10,548	11,782	13,182

Source: Trust *FY17 consol nos including Horwood

**Cash Flow**

₹mn (Y/E Mar)	FY15	FY16	*FY17E	FY18E	FY19E
Pre-tax profit	1,334	1,656	1,824	2,379	2,647
Depreciation	190	209	222	236	251
Total Tax Paid	(373)	(508)	(569)	(738)	(820)
Chg in working capital	(474)	(865)	(225)	(348)	(484)
Other operating activities	(2)	59	88	88	88
Cash flow from oper (a)	676	551	1,340	1,618	1,681
Capital Expenditure	(193)	66	(2,349)	(310)	(310)
Chg in investments	55	(203)	(200)	(200)	(200)
Other investing activities	13	-	-	-	-
Cash flow from inv.(b)	(125)	(137)	(2,549)	(510)	(510)
Free cash flow	482	617	(1,008)	1,308	1,371
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	-	-	2,347	-	-
Interest paid	(45)	(59)	(88)	(88)	(88)
Dividend (incl. Tax)	(272)	(378)	(392)	(407)	(426)
Other financing activities	(269)	4	-	-	-
Cash flow from fin. (c)	(586)	(433)	1,867	(496)	(514)
Net chg in cash (a+b+c)	(36)	(19)	659	612	657

Source: Trust, *FY17 consol nos including Horwood

Key Ratios

Y/E Mar	FY15	FY16	*FY17E	FY18E	FY19E
Raw Material Cost/Sales (%)	57.3	56.0	56.2	57.6	57.2
Manpower Cost/Sales (%)	7.5	7.3	7.5	7.6	7.6
A&P Cost/Sales (%)	0.1	0.1	0.1	0.1	0.1
Revenue Growth (%)	7.3	9.9	8.9	9.0	9.1
EBITDA Margins (%)	11.0	12.2	12.6	14.0	14.3
Net Income Margins (%)	6.8	7.6	7.2	8.4	8.7
ROCE (%)	19.7	21.8	17.7	19.5	19.5
ROE (%)	14.6	16.1	13.3	14.9	14.7

Source: Trust *FY17 consol nos including Horwood

Valuation Parameters

Y/E Mar	FY15	FY16	*FY17E	FY18E	FY19E
EPS (₹)	90.4	81.1	100.8	123.2	147.8
P/E (x)	33.5	44.4	41.7	47.9	39.9
BV (₹)	502.4	554.5	620.6	787.2	901.6
P/BV (x)	6.0	6.5	6.8	7.5	6.5
EV/EBITDA (x)	21.5	27.2	25.9	31.2	25.7
Fixed assets turnover ratio (x)	3.6	3.8	4.5	3.2	3.6
Net Debt/Equity (x)	(0.0)	(0.0)	(0.0)	0.1	0.0
EV/Sales (x)	2.7	3.0	3.2	4.0	3.4

Source: Trust, *FY17 consol nos including Horwood



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