

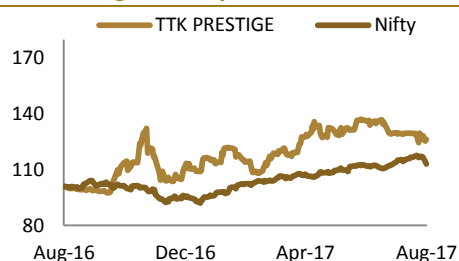
Market statistics

Current stock price (₹)	6,225
Shares O/S (cr.)	1.2
Mcap (₹cr)	7,247
52W H/L (₹)	6,984/4,750
6m avg. volume	7,796
Bloomberg	TTKPT IN

Shareholding pattern

Promoters	70.31
Domestic Institution	6.30
Foreign Institution	13.31
Non-institution	10.08
of which more than 1%	
Axis Mutual Fund Trustee Limited	6.26
A/c Axis Mutual Fund A/c	
Nalanda India Equity Fund Ltd	3.46

TTK Prestige vs Nifty



Capital efficiency & valuations

Particulars	*FY17	FY18E	FY19E
ROE (%)	16.7	13.1	13.5
ROCE (%)	19.1	17.2	18.3
P/B (x)	8.0	6.7	6.0
P/E (x)	48.0	51.4	44.7
EPS (₹)	122.2	121.2	139.3
EV/OCF (x)	103.0	26.9	41.3

*FY17 consol nos including Horwood

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TTK, based on IND AS, standalone net sales grew slow by 3.3% YoY to ₹ 3,575mn. Domestic sales (98% of total sales) grew by 3.3% while Exports showed robust growth of 39%. Cooker, Cookware, Appliances and others business moved by 7%, -5.2%, 6.2% & -12.5% respectively.

Gross Margin expanded by 38bps YoY to 42%. Employee & other expenses moved by 40bps & -1bpsYoY, respectively. Hence, EBITDA Margin was stable at 12.5%. There was an exceptional items of ₹ 1,290mn owing to sale of property. Hence PBT jumped by 373% to ₹ 1,690mn.

Higher other income and low ETR of 20.6% vs 32.2% of last year further supported the bottom-line. Hence, PAT increased by 4.5x to ₹ 1,343mn. APAT (adjusting exceptions and other comprehensive income) increased by 23.2% YoY to ₹ 318mn.

Sales on Consolidated level (including Horwood) grew by mere 1.2% to ₹ 3,837mn while EBITDA was flat. APAT grew by 48% to ₹361mn

Domestic Sales slow; Harwood performance deteriorates further: TTK's domestic sales showed slow growth of 3.3% growth against the backdrop of de-stocking due to GST transition. April and May displayed double digit growth but June month witnessed slowdown amid de-stocking in trade channel. Cookers (34% of sales) increased by 7% led by both inner lid & outer lid cookers. Cookware (13% of sales) showed de-growth of 5.2%YoY. Appliances (42% of sales) showed growth of 6.2%YoY. Horwood Home cares sales were also soft & de-grew by 21% (10% impact due to currency decline) YoY to ₹262mn & forms 6.8% of consolidated sales. We expect Horwood to grow ~8% in coming qtrs and would accelerate TTK's growth.

Concall Highlights: 1) Growth was better in Non South Markets 2) Company carried out extensive GST education campaign among its vendors and dealers which checked trade de-stocking 3) 18 new SKU's introduced during the quarter 4) Demand level products were sluggish 5) Overall impact of GST was largely neutral and MRPs are maintained at pre-GST levels 6) 80 more SKU's are scheduled to be launched for FY18 7) Ecommerce channel registered good growth 8) Channels are returning to normalcy and secondary sales growth remains strong.

Stable consolidated EBITDA Margins at 12.3%: Gross margins at consolidated level expanded by 24bps to 41.8% while Employee and other expenses declined by 8bps & 18bps in Q1FY18. Hence EBITDA margin stood at 12.3% while EBITDA growth was flat.

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, we believe most positives are priced in and valuations are expensive to peers. The stock trades at a P/E of 51.4x & 44.7x of FY18 & FY19 estimated EPS. **We maintain HOLD rating pertaining to expensive valuations.**

**Exhibit 1: Standalone Quarterly Performance**

Particulars (₹mn)	Q1FY17	Q4FY17	Q1FY18	YoY Chg (%)
Net Sales	3,461	3,660	3,575	3.3%
Total RM	2,019	2,145	2,072	2.6%
Gross Profit	1,442	1,515	1,503	4.2%
Gross Margin (%)	41.7%	41.4%	42.0%	38bps
Employee Expenses	288	321	312	8.3%
% of sales	8.3%	8.8%	8.7%	40bps
Other Expenses	721	734	744	3.2%
% of sales	20.8%	20.1%	20.8%	-1bps
TOTAL EXPENDITURE	3,028	3,199	3,128	3.3%
EBITDA	433	461	447	3.2%
EBITDA Margin (%)	12.5%	12.6%	12.5%	-1bps
Other Income	18	16	20	11.8%
Depreciation	53	91	62	16.3%
Interest	17	10	5	-73.2%
PBT Before Exceptional	381	376	400	5.2%
Exceptional loss/(gain)	24	(42)	(1,290)	
PBT	357	417	1,690	373.5%
Total Tax	115	(120)	347	202.3%
Effective tax rate (%)	32.2%	-28.7%	20.6%	-1,164bps
Reported PAT	242	537	1,343	454.8%
Adjusted PAT	258	509	318	23.2%
NPM (%)	7.5%	13.9%	8.9%	144bps

Exhibit 2: Quarterly Product Performance

Particulars (₹mn)	Sales (₹mn)			Sales Mix (%)		
	Q1FY17	Q1FY18	YoY Gr. (%)	Q1FY17	Q1FY18	Change(bps)
Cookers	1,280	1,370	7.0%	35.3%	36.3%	108bps
Cookware	580	550	-5.2%	16.0%	14.6%	-139bps
Appliances	1,610	1,710	6.2%	44.4%	45.4%	101bps
Others	160	140	-12.5%	4.4%	3.7%	-69bps
Total	3,630	3,770	3.9%	100.0%	100.0%	



Financials

P&L Statement

Y/E Mar (₹mn)	FY15S	FY16S	*FY17C	FY18E	FY19E
Net Revenues	13,082	14,879	17,451	19,111	21,359
% Growth	7.1	13.7	17.3	9.5	11.8
Raw Material	7,957	8,872	10,429	10,925	12,539
Staff	1,036	1,090	1,377	1,514	1,663
Selling and Distribution Expenses	1,886	2,429	2,850	3,230	3,597
Other Expenses	676	619	615	1,035	768
Total Expenditures	11,554	13,010	15,271	16,704	18,567
EBITDA	1,528	1,870	2,180	2,407	2,792
% Growth	(7)	22	17	10	16
EBITDA Margins (%)	11.7	12.6	12.5	12.6	13.1
Other Income	76	104	67	79	83
Interest	79	59	111	140	140
Depreciation	190	209	257	279	299
Profit Before Tax	1,334	1,668	1,839	3,356	2,436
Provision for tax	410	512	332	862	755
Effective tax rate (%)	30.7	30.7	18.1	25.7	31.0
Reported PAT	924	1,156	1,507	2,494	1,681
% Growth	(17.4)	25.1	30.3	65.6	(32.6)
Adjusted Net Profit	944	1,174	1,424	1,412	1,623
% Growth	(10.3)	24.3	21.3	(0.8)	14.9

Source: Trust *FY17 consol nos including Horwood

Balance Sheet

₹mn (Y/E Mar)	FY15S	FY16S	*FY17C	FY18E	FY19E
Equity Share Capital	117	117	117	117	117
Reserves & surplus	6,653	7,116	8,421	10,644	11,918
Shareholders' funds	6,769	7,232	8,537	10,761	12,034
Total Debt	-	-	1,132	1,174	1,174
Others	345	360	417	417	417
Capital Employed	7,114	7,592	10,086	12,351	13,624
Net fixed assets	3,595	3,554	3,955	4,065	4,117
Cash & Cash Eq.	296	312	653	2,292	2,853
Net Current Assets (Ex-cash)	3,078	3,586	4,102	4,467	4,977
Investments	36	444	749	824	906
Others	-	-	-	-	-
Total Assets	7,114	7,592	10,086	12,351	13,624

Source: Trust *FY17 consol nos including Horwood

**Cash Flow**

₹mn (Y/E Mar)	FY15S	FY16S	*FY17C	FY18E	FY19E
PBT before EO items	1,334	1,668	1,839	3,356	2,436
Add : Depreciation	190	209	257	279	299
Interest	(373)	(356)	(370)	(862)	(755)
Less : Direct taxes paid	(474)	(638)	(975)	(290)	(428)
(Inc)/Dec in WC	(2)	(102)	(89)	140	140
Extraordinary	676	781	662	2,623	1,691
CF from Op after extra	(193)	(171)	(262)	(390)	(350)
(Incr)/Decr in FA	55	-	(1,142)	(75)	(82)
(Pur)/Sale of Investments	13	113	24	(150)	(150)
Others	(125)	(59)	(1,381)	(615)	(582)
CF from Invest.	482	610	400	2,233	1,341
Inc/(Dec) in equity	-	-	-	-	-
Inc/(Dec) in debt	-	-	1,132	83	-
Inc/(Dec) in Minority Interest	(45)	(18)	(76)	(140)	(140)
Less :	(272)	(687)	-	(392)	(407)
Dividend paid	(269)	-	-	-	-
CF from fin. activity	(586)	(705)	1,057	(449)	(548)
Incr/Decr of Cash	(36)	17	337	1,559	562

Source: Trust, *FY17 consol nos including Horwood

Key Ratios

Y/E Mar	FY15S	FY16S	*FY17C	FY18E	FY19E
Raw Material Cost/Sales (%)	60.8	59.6	59.8	57.2	58.7
Manpower Cost/Sales (%)	7.9	7.3	7.9	7.9	7.8
A&P Cost/Sales (%)	0.1	0.1	0.1	0.1	0.1
Revenue Growth (%)	7.1	13.7	17.3	9.5	11.8
EBITDA Margins (%)	11.7	12.6	12.5	12.6	13.1
Net Income Margins (%)	7.2	7.9	8.2	7.4	7.6
ROCE (%)	18.8	21.9	19.1	17.2	18.3
ROE (%)	14.0	16.2	16.7	13.1	13.5

Source: Trust *FY17 consol nos including Horwood

Valuation Parameters

Y/E Mar	FY15S	FY16S	*FY17C	FY18E	FY19E
EPS (₹)	81.1	100.8	122.2	121.2	139.3
P/E (x)	44.4	41.7	48.0	51.4	44.7
BV (₹)	581.0	620.8	732.8	923.7	1033.0
P/BV (x)	6.2	6.8	8.0	6.7	6.0
EV/EBITDA (x)	27.2	25.8	31.2	29.3	25.0
Fixed assets turnover ratio (x)	3.6	4.2	4.4	4.7	5.2
Net Debt/Equity (x)	(0.0)	(0.0)	0.1	(0.1)	(0.1)
EV/Sales (x)	3.2	3.2	3.9	3.7	3.3

Source: Trust, *FY17 consol nos including Horwood



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