

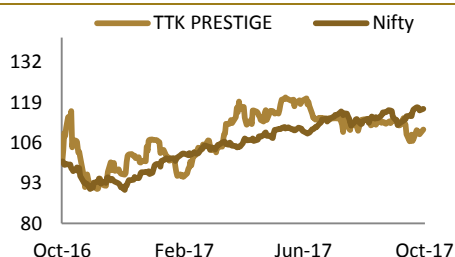
Market statistics

Current stock price (₹)	6,145
Shares O/S (cr.)	1.2
Mcap (₹cr)	7,154
52W H/L (₹)	6,984
6m avg. volume	7,133
Bloomberg	TTKPT IN

Shareholding pattern

Promoters	70.31
Domestic Institution	6.58
Foreign Institution	13.20
Non-institution	9.91
of which more than 1%	
Axis Mutual Fund Trustee Limited	6.53
A/c Axis Mutual Fund A/c	
Nalanda India Equity Fund Ltd	3.49

TTK Prestige vs Nifty



Capital efficiency & valuations

Particulars	*FY17	FY18E	FY19E
ROE (%)	16.7	16.3	16.5
ROCE (%)	19.1	18.8	19.9
P/B (x)	8.0	7.2	6.3
P/E (x)	48.0	44.4	38.4
EPS (₹)	122.2	138.3	160.2
EV/OCF (x)	103.0	38.9	38.1

*FY17 consol nos including Horwood

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TTK, based on IND AS, reported healthy net sales growth slow by 11.1% YoY to ₹ 5,147mn on standalone basis. Domestic sales (99% of total sales) grew by 14.0%YoY. Exports disappointed with 40% decline to ₹ 78mn. While adjusting to all taxes (Excise, CGST, SGST & VAT), overall line to line Sales growth was 24%YoY. This sales growth is largely in-line with our expectation of 18.5%.

Cooker, Cookware, Appliances and others business grew by 5.7%, 19.3%, 15.4% & 17.7% respectively. Gross Margin expanded by 218bps YoY to 41.4% due to favorable mix. Employee & other expenses moved by -7bps & 173bpsYoY, respectively. Hence, EBITDA Margin expanded by 52bps to 12.8%.EBITDA grew by 15.8% to Rs658mn vs our expectation of 22%. There was one time charge of ₹105.3mn towards non-recovery of part of indirect taxes embedded in the transition stock held by the company, consequent introduction of GST. Excluding this one-time cost, EBITDA margin stood at 14.3%YoY.

Higher other income growth of 34% also supported the bottom-line. Hence, PAT increased by 18.4% to ₹419mn vs our expectation of ₹ 445mn. Sales on Consolidated level (including Horwood) grew by 8.8% to ₹5,451mn while EBITDA & APAT grew by 9.8% & 27.5% YoY. APAT stood at ₹461mn

Strong Domestic Sales slow; Harwood performance deteriorates further: TTK's domestic sales showed strong growth of 14% growth led by volume growth in range of 15% to 24% in cookware and appliances. This performance can be attributed due to demand pick up and better festive season. Cookers (32% of sales) increased by 5.7% YoY. Cookware (16.7% of sales) showed robust growth of 19.3%YoY. Appliances (43% of sales) showed strong growth of 15.4%YoY. Horwood Home cares sales were also soft & de-grew by 20% (5% impact due to currency decline) YoY to ₹320mn & forms 5.8% of consolidated sales.

Concall Highlights: 1) Channel restocking has not happened to the full extent 2) There is a demand shift happening to modern format & online 3) Southern market has grown by 8% overall India market has grown by 18% 4) Capex for FY18 and FY19 would be in range of Rs100 to 150mn 5)New Category Cleaning solutions is growing in double digit and expected to show sales of Rs 300-350mn in FY18E 6) Company launched 'Judge' brand to cater mass segment and has received good response

EBITDA Margins expands to 12.8%: Gross margins expanded by 218bps to 41.4% while Employee and other expenses moved by -7bps & 173bps in Q1FY18. Hence EBITDA margin stood at 12.8%. Expect margin to maintain at 13%

Outlook & Valuation: Strong volume growth in current qtr is highly encouraging, however we would keep close watch in coming qtrs to check the sustainability of volumes. We tweaked our estimates on higher side in domestic biz. 20% decline in Horwood(6 to 6.5% of sales) in last 2-3 qtrs is disappointing and hence we expect it to decline by 10% in FY18E and expect pick up in FY19E. We differ on management guidance of 15-18% sales growth in FY18 due to huge divergence in comparable sales and accounted sales in Q2FY18 and expect overall sales growth in FY18 to be 8%YoY.

However, We have a positive view on long term prospects based on (1) Strong profitable growth history; (2) Robust distribution in the domestic business; (3) Most aggressive company in the CD space; (4) Low seasonality in the business; (5) 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 44.4x & 38.4x of FY18 & FY19 estimated EPS. **We maintain HOLD rating pertaining to expensive valuations.**

**Exhibit 1: Standalone Quarterly Performance**

Particulars (₹mn)	Q2FY17	Q1FY18	Q2FY18	YoY Chg (%)
Net Sales	4,632	3,575	5,147	11.1%
Total RM	2,817	2,072	3,018	7.1%
Gross Profit	1,816	1,503	2,129	17.3%
Gross Margin (%)	39.2%	42.0%	41.4%	218bps
Employee Expenses	300	312	330	9.8%
% of sales	6.5%	8.7%	6.4%	-7bps
Other Expenses	947	744	1,141	20.5%
% of sales	20.4%	20.8%	22.2%	173bps
TOTAL EXPENDITURE	4,064	3,128	4,488	10.4%
EBITDA	568	447	658	15.8%
EBITDA Margin (%)	12.3%	12.5%	12.8%	52bps
Other Income	17	20	22	33.5%
Depreciation	53	62	62	15.9%
Interest	15	5	5	-67.3%
PBT Before Exceptional	517	400	614	18.8%
Exceptional loss/(gain)	-	(1,290)	-	
PBT	517	1,690	614	18.8%
Total Tax	163	347	195	19.5%
Effective tax rate (%)	31.6%	20.6%	31.8%	19bps
Reported PAT	354	1,343	419	18.4%
Adjusted PAT	354	318	419	18.4%
NPM (%)	7.6%	8.9%	8.1%	50bps

Exhibit 2: Quarterly Product Performance

Particulars (₹mn)	Sales (₹mn)			Sales Mix (%)		
	Q2FY17	Q2FY18	YoY Gr. (%)	Q2FY17	Q2FY18	Change(bps)
Cookers	1,740	1,840	5.7%	35.7%	33.5%	-220bps
Cookware	813	970	19.3%	16.7%	17.7%	99bps
Appliances	2,175	2,510	15.4%	44.6%	45.7%	108bps
Others	144	170	17.7%	3.0%	3.1%	13bps
Total	4,872	5,490	12.7%	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	18,839	21,311
% Growth	7.1	13.7	17.3	8.0	13.1
Raw Material	7,957	8,872	10,429	11,486	12,418
Staff	1,036	1,090	1,377	1,502	1,650
Selling and Distribution Expenses	1,886	2,429	2,850	3,080	3,484
Other Expenses	676	619	615	338	887
Total Expenditures	11,554	13,010	15,271	16,407	18,438
EBITDA	1,528	1,870	2,180	2,433	2,873
% Growth	(7)	22	17	12	18
EBITDA Margins (%)	11.7	12.6	12.5	12.9	13.5
Other Income	76	104	67	79	83
Interest	79	59	111	144	148
Depreciation	190	209	257	279	299
Profit Before Tax	1,334	1,668	1,839	3,378	2,509
Provision for tax	410	512	332	856	756
Effective tax rate (%)	30.7	30.7	18.1	25.4	30.1
Reported PAT	924	1,156	1,507	2,522	1,753
% Growth	(17.4)	25.1	30.3	67.4	(30.5)
Adjusted Net Profit	944	1,174	1,424	1,612	1,867
% Growth	(10.3)	24.3	21.3	13.2	15.8

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	9,762	11,221
Shareholders' funds	6,769	7,232	8,537	9,878	11,338
Total Debt	-	-	1,132	1,174	1,174
Others	345	360	417	417	417
Capital Employed	7,114	7,592	10,086	11,469	12,928
Net fixed assets	3,595	3,554	3,955	4,065	4,117
Cash & Cash Eq.	296	312	653	1,478	2,169
Net Current Assets (Ex-cash)	3,078	3,586	4,102	4,398	4,965
Investments	36	444	749	824	906
Others	-	-	-	-	-
Total Assets	7,114	7,592	10,086	11,469	12,928

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	3,378	2,509
Add : Depreciation	190	209	257	279	299
Interest	(373)	(356)	(370)	(856)	(756)
Less : Direct taxes paid	(474)	(638)	(975)	(222)	(485)
(Inc)/Decr in WC	(2)	(102)	(89)	(766)	261
Extraordinary	676	781	662	1,813	1,829
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	1,423	1,479
Inc/(Dec) in equity	-	-	-	-	-
Inc/(Dec) in debt	-	-	1,132	83	-
Inc/(Dec) in Minority Interest	(45)	(18)	(76)	(144)	(148)
Less :	(272)	(687)	-	(392)	(407)
Dividend paid	(269)	-	-	-	-
CF from fin. activity	(586)	(705)	1,057	(453)	(555)
Incr/Decr of Cash	(36)	17	337	745	691

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	61.0	58.3
Manpower Cost/Sales (%)	7.9	7.3	7.9	8.0	7.7
A&P Cost/Sales (%)	0.1	0.1	0.1	0.1	0.1
Revenue Growth (%)	7.1	13.7	17.3	8.0	13.1
EBITDA Margins (%)	11.7	12.6	12.5	12.9	13.5
Net Income Margins (%)	7.2	7.9	8.2	8.6	8.8
ROCE (%)	18.8	21.9	19.1	18.8	19.9
ROE (%)	14.0	16.2	16.7	16.3	16.5

Source: Trust *FY17 consol nos including Horwood

Valuation Parameters

Y/E Mar	FY15S	FY16S	*FY17C	FY18E	FY19E
EPS (₹)	81.1	100.8	122.2	138.3	160.2
P/E (x)	44.4	41.7	48.0	44.4	38.4
BV (₹)	581.0	620.8	732.8	847.9	973.2
P/BV (x)	6.2	6.8	8.0	7.2	6.3
EV/EBITDA (x)	27.2	25.8	31.2	29.0	24.3
Fixed assets turnover ratio (x)	3.6	4.2	4.4	4.6	5.2
Net Debt/Equity (x)	(0.0)	(0.0)	0.1	(0.0)	(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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