

RESULTS

REVIEW

TTK Prestige Ltd.

Enough steam left

BUY

Analyst

Arun Baid

+91-22-4322 1258

arun.baid@idbicapital.com

Nifty: 4,831; Sensex: 16,038

CMP	Rs2,320
Target Price	Rs3,106
Potential Upside/Downside	+34%

Key Stock Data

Sector	Consumer Durables
Bloomberg / Reuters	TTKPT IN / TTKL.BO
Shares o/s (mn)	11.3
Market cap. (Rs mn)	26,267
Market cap. (US\$ mn)	507
3-m daily average vol.	14,541

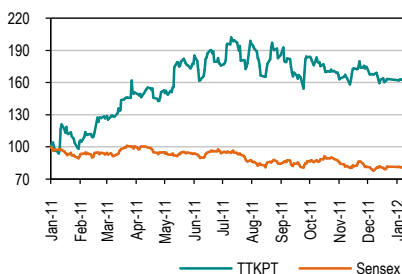
Price Performance

52-week high/low	Rs3,200/1,376		
	-1m	-3m	-12m
Absolute (%)	(13)	(18)	50
Rel to Sensex (%)	(14)	(13)	68

Shareholding Pattern (%)

Promoters	74.9
FII/IRIs/OCBs/GDR	8.7
MFs/Banks/FIs	4.3
Non Promoter Corporate	1.9
Public & Others	10.2

Relative to Sensex



Source: Capitaline

Summary

TTK Prestige (TTKPT) reported revenue growth of ~41% YoY, in-line with our estimates. The strong revenue growth across products re-iterates our stance that the product categories in which TTKPT operates will see minimal impact of slowdown in the economy as they are consumed by the mass market and cater to the necessities. OPM stood at 15.8% in line with our estimates. APAT grew by ~18% in line with our estimates. We continue to remain positive on the company and maintain our target price of Rs3,106 (22x PER FY13E).

Result Highlights

- Revenue growth of 41% YoY, shows no slowdown yet

TTKPT posted revenue growth of ~41% YoY, in line with our estimates, led by increased turnover from all product categories (pressure cooker sales up by ~26% YoY, cookware ~50% YoY, gas stoves ~16% YoY and kitchen appliances ~70% YoY). The strong growth across categories re-iterates our view that the products in which the company operates is relatively lesser prone to slowdown in the economy.

- OPM at ~15.8%; in line with our estimate

TTKPT reported an OPM of ~15.8% a decline of ~200bps YoY (-60bps QoQ). The decline in OPM is due to the increased revenues from kitchen appliances, which have lower margins. The contribution of kitchen appliances has increased from 29% of sales in Q3FY11 to ~34.5% of sales in Q3FY12. Also due to rupee depreciation (imported products contribute ~25% of turnover) margins were impacted. The management has indicated that they will take some price increases in February, 2012 thus helping margins. We have thus reduced our EBIDTA/PAT estimates for FY12 by 3%/2%. We however maintain our estimates for FY13.

- APAT growth of 18% YoY, in line with estimates

TTKPT's APAT increased by ~18% YoY and was in line with our estimates. The company has reported a lower PAT growth due to decline in OPM, higher financial cost and increased depreciation. Interest cost increased due to debt taken for expansion of capacities.

- Capacity expansion on track

TTKPT has guided that the expansion plans are on track and they expect all capacities to be commissioned by FY13. We believe with the expansion of capacities, TTKPT will be well placed to capitalize on the growing market.

- Outlook and valuation

TTKPT results have been in line our estimates. We believe TTKPT will continue to witness strong growth and will have minimal impact of the slowdown in economy due to its product portfolio which caters to the basic needs of the mass market. It currently trades at a PER and EV/EBIDTA of 16.4x and 10.9x FY13E, respectively. We continue to remain positive on the growth prospects of the company and the space in which it operates. We upgrade the stock to **BUY** from ACCUMULATE due to the recent correction in stock price and maintain our target price of Rs3,106 (22x PER FY13E).

Financial snapshot

(Rs mn)

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
FY10	5,079	750	14.8	485	42.8	54.3	34.5	46.4	40.6
FY11	7,636	1,218	15.9	843	74.4	31.2	21.0	53.4	50.1
FY12E	11,145	1,761	15.8	1,167	102.9	22.5	15.1	48.8	44.7
FY13E	14,451	2,355	16.3	1,600	141.2	16.4	10.9	46.7	42.2

Source: Company; IDBI Capital Research

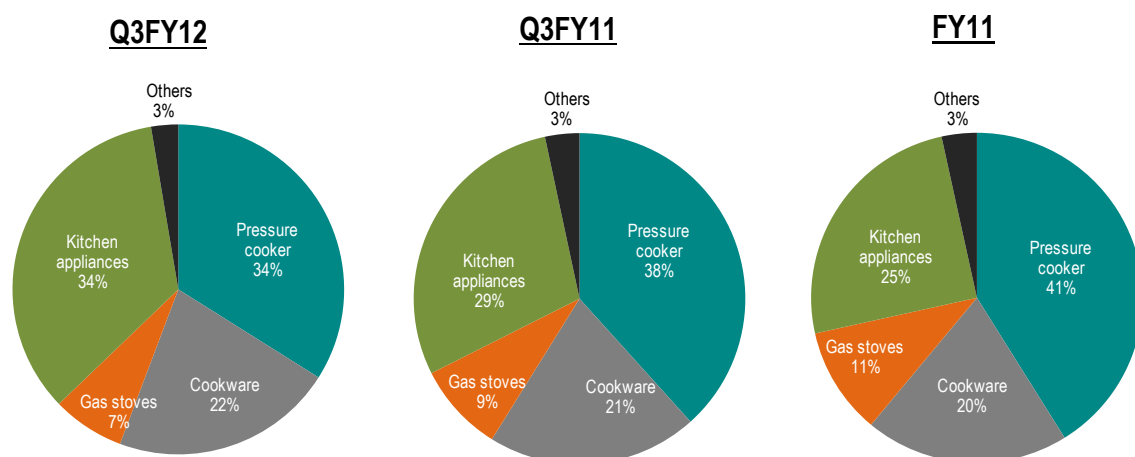
Table: Quarterly snapshot

(Rs mn)

Particulars	Q3FY11	Q3FY12	YoY (%)	9MFY11	9MFY12	YoY (%)
Net sales/Operating income	2,365	3,343	41	5,817	8,710	50
Raw Material Cost	601	350	(42)	1,256	1,500	19
as a % of sales	25	10		22	17	
Purchase of traded goods	684	1,535	124	1,865	3,288	76
as a % of sales	29	46		32	38	
Employee Expenses	144	214	49	400	558	40
as a % of sales	6	6		7	6	
Other operating expenses	513	716	40	1,317	1,966	49
as a % of sales	22	21		23	23	
Total Operating Expenses	1,942	2,815.3	45	4,838	7,312	51
EBITDA	422.1	528.0	25	978.4	1,397.3	43
EBITDA margin (%)	17.85	15.8		16.8	16.0	
Other income	12	13	9	32	30	-6
Interest	2	25	1311	5	43	694
Depreciation	11	19	72	31	43	37
Profit/(loss) before tax	421	496	18	974	1,342	38
Tax	127.8	150.3	18	296.4	405.4	37
Tax rate (%)	30.4	30.3		30.4	30.2	
Net profit	292.9	345.7	18	677.1	936	38
Extraordinaries	0	0	-	(6)	-	-
Minority Interest	0	0	-	-	-	-
Adj Net Profit	292.9	346	18	671.2	936	39

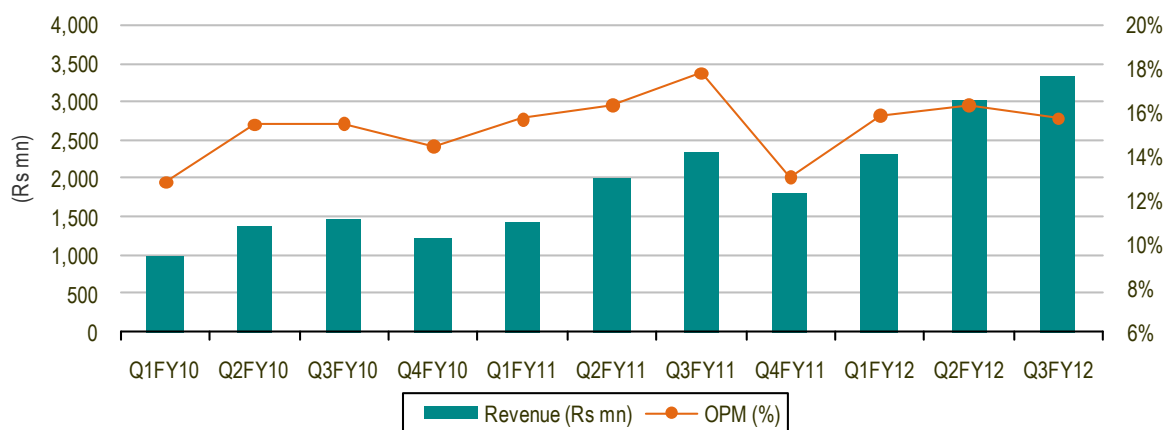
Source: Company; IDBI Capital Research

Figure: Revenue break-up



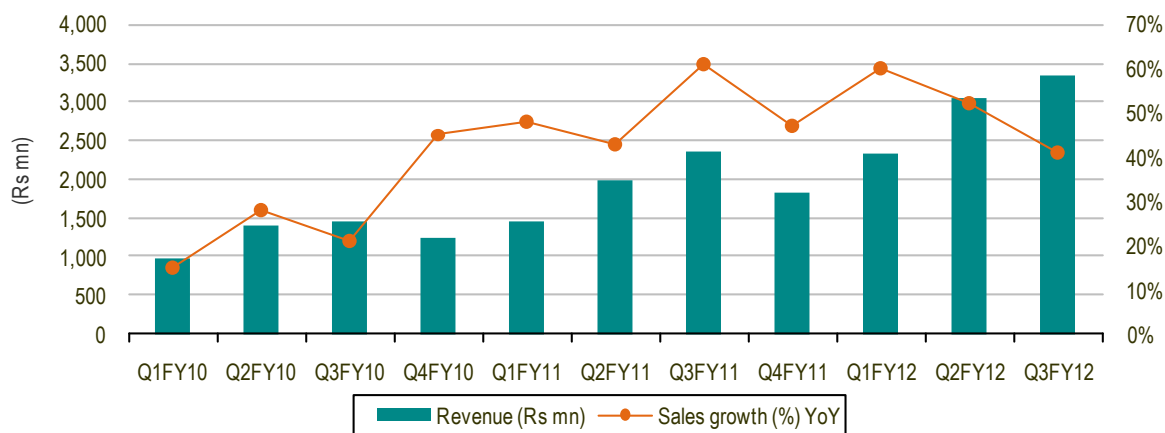
Source: Company; IDBI Capital Research

Figure: Revenue and OPM



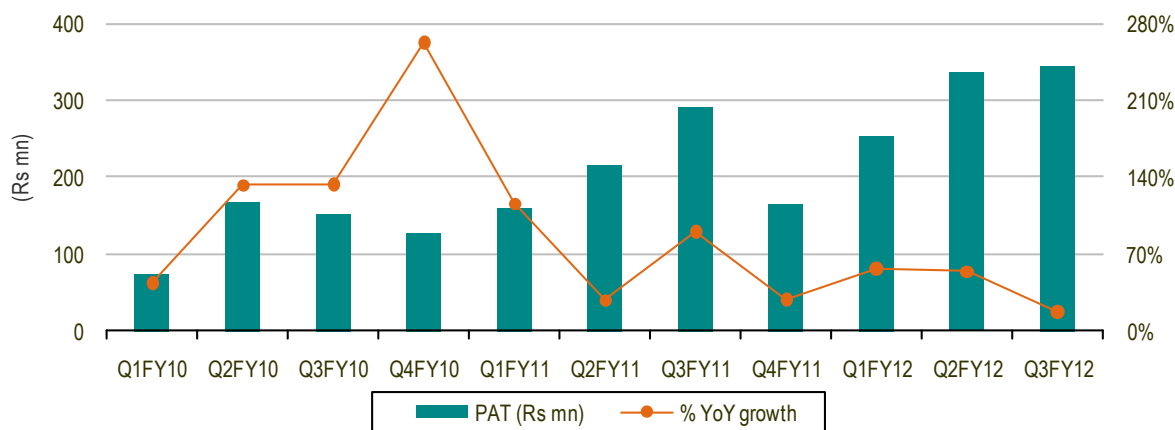
Source: Company; IDBI Capital Research

Figure: Quarterly revenue and growth profile



Source: Company; IDBI Capital Research

Figure: Quarterly PAT and growth profile



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY10	FY11	FY12E	FY13E
Net sales	5,079	7,636	11,145	14,451
Growth (%)	26.6	50.3	46.0	29.7
Operating expenses	(4,329)	(6,418)	(9,384)	(12,095)
EBITDA	750	1,218	1,761	2,355
Growth (%)	99.4	62.3	44.6	33.8
Depreciation	(36)	(43)	(66)	(127)
EBIT	726	1,217	1,740	2,313
Interest paid	(11)	(8)	(73)	(28)
Other income	11	42	45	85
Pre-tax profit	754	1,204	1,667	2,286
Tax	(230)	(366)	(500)	(686)
Effective tax rate (%)	30.5	30.4	30.0	30.0
Net profit	524	838	1,167	1,600
Adjusted net profit	485	843	1,167	1,600
Growth (%)	116.5	74.0	38.4	37.1
Shares o/s (mn nos)	11	11	11	11

Balance Sheet

(Rs mn)

Year-end: March	FY10	FY11	FY12E	FY13E
Net fixed assets	640	914	2,548	2,721
Investments	4	4	4	4
Other non-curr assets	-	-	-	-
Current assets	2,081	3,336	3,215	4,657
Inventories	613	1,050	1,221	1,584
Sundry Debtors	603	747	1,038	1,425
Cash and Bank	440	535	101	539
Loans and advances	-	-	-	-
Total assets	2,725	4,255	5,767	7,381
Shareholders' funds	1,242	1,915	2,863	3,995
Share capital	113	113	113	113
Reserves & surplus	1,128	1,801	2,750	3,882
Total Debt	28	22	442	22
Secured loans	28	22	22	22
Unsecured loans	-	-	420	-
Other liabilities	59	55	475	55
Curr Liab & prov	1,946	3,147	3,147	4,485
Current liabilities	1,424	2,285	2,429	3,331
Provisions	522	862	719	1,154
Total liabilities	1,483	2,340	2,904	3,386
Total equity & liabilities	2,725	4,255	5,767	7,381
Book Value (Rs)	108	167	253	352

Source: Company; IDBI Capital Research

Cash Flow Statement

(Rs mn)

Year-end: March	FY10	FY11	FY12E	FY13E
Pre-tax profit	754	1,204	1,667	2,286
Depreciation	34	43	66	127
Tax paid	(230)	(365)	(500)	(686)
Chg in working capital	372	279	(319)	153
Other operating activities	(213)	(356)	(73)	(254)
Cash flow from operations (a)	718	804	842	1,627
Capital expenditure	(79)	(317)	(1,700)	(300)
Chg in investments	-	-	-	-
Other investing activities	-	-	-	-
Cash flow from investing (b)	(79)	(539)	(1,478)	(300)
Equity raised/(repaid)	0	0	(0)	(0)
Debt raised/(repaid)	(179)	(6)	420	(420)
Dividend (incl. tax)	(132)	(164)	(218)	(468)
Chg in minorities	-	-	-	-
Other financing activities	3	-	-	-
Cash flow from financing (c)	(308)	(170)	202	(888)
Net chg in cash (a+b+c)	331	96	(435)	439

Financial Ratios

Year-end: March	FY10	FY11	FY12E	FY13E
Adj. EPS (Rs)	42.8	74.4	102.9	141.2
Adj. EPS growth (%)	116.5	74.0	38.4	37.1
EBITDA margin (%)	14.8	15.9	15.8	16.3
Pre-tax margin (%)	14.8	15.8	15.0	15.8
ROE (%)	46.4	53.4	48.8	46.7
ROCE (%)	40.6	50.1	44.7	42.2
Turnover & Leverage ratios (x)				
Asset turnover (x)	2.2	2.2	2.2	2.2
Leverage factor (x)	2.2	2.2	2.1	1.9
Net margin (%)	9.5	11.0	10.5	11.1
Net Debt / Equity (x)	(0.3)	(0.4)	0.1	(0.1)
Working Capital & Liquidity ratio				
Inventory days	44.0	50.2	40.0	40.0
Receivable days	43.3	35.7	34.0	36.0
Payable days	56.7	60.2	48.7	47.8

Valuation

Year-end: March	FY10	FY11	FY12E	FY13E
PER (x)	54.3	31.2	22.5	16.4
Price/Book value (x)	21.6	13.9	9.2	6.6
PCE (x)	50.5	29.7	21.3	15.2
EV/Net sales (x)	5.1	3.3	2.4	1.8
EV/EBITDA (x)	34.5	21.0	15.1	10.9
Dividend Yield (%)	0.4	0.5	0.7	1.5



Notes

Sonam H. Udasi – Head Research	(91-22) 4322 1375	sonam.udasi@idbicapital.com
Dealing	(91-22) 6637 1150	dealing@idbicapital.com

Key to Ratings

Stocks:

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto $\pm 5\%$; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

IDBI Capital Market Services Ltd. (A wholly owned subsidiary of IDBI Ltd.)

Equity Research Desk

3rd Floor, Mafatnal Centre, Nariman Point, Mumbai – 400 021. Phones: (91-22) 4322 1212; Fax: (91-22) 2285 0785; Email: info@idbicapital.com

SEBI Registration: NSE CM – INB230706631, NSE F&O – INF230706631, BSE CM – INB010706639, BSE F&O – INF010706639, NSDL – IN-DP-NSDL-12-96

Compliance Officer: Christina Fernandes; Email: compliance@idbicapital.com; Telephone: 022-43221212

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