

RESULTS

REVIEW

TTK Prestige Ltd.

Losing near term steam

REDUCE

Analyst

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Nifty: 6,039; Sensex: 19,964

CMP	Rs3,487
Target Price	Rs3,019
Potential Upside/Downside	(13)%

Key Stock Data

Sector	Consumer Durables
Bloomberg / Reuters	TTKPT IN / TTKL.BO
Shares o/s (mn)	11
Market cap. (Rs mn)	39,477
Market cap. (US\$ mn)	726
3-m daily average vol.	14,849

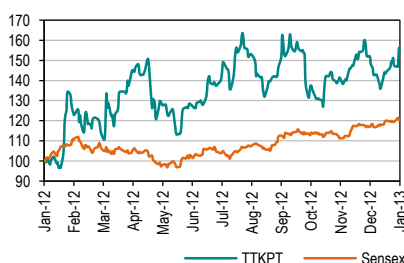
Price Performance

52-week high/low	Rs3,996/2,285
	-1m -3m -12m
Absolute (%)	(4) 6 46
Rel to Sensex (%)	(8) (1) 25

Shareholding Pattern (%)

Promoters	74.9
FII/IRIs/OCBs/GDR	13.7
MFs/Banks/FIs	2.8
Non Promoter Corporate	0.7
Public & Others	7.9

Relative to Sensex



Source: Capitaline

Summary

TTK Prestige (TTKPT) reported revenue growth of ~31% YoY, better than estimate. OPM at ~14.2% (decline of ~170/60 bps YoY/QoQ), was significantly lower than estimate. APAT grew by ~28% YoY, and was better than estimate due to lower tax provision as it sold more from recently commissioned Roorkee plant where it has tax benefits. Adjusted for tax, PAT growth would have been ~16% marginally lower than estimate. The revenue growth was aided by high growth in non-South markets and exports (+250% YoY). South Indian markets continue to see demand slowdown due to power woes continuing. Management has maintained its revenue guidance of ~25% for FY13 but has indicated it will be difficult to achieve. It has also indicated that OPM's will continue to be under pressure going ahead. Cut FY14 OPM estimates by ~30 bps to 15% due to continued aggressive spend in order to gain market share OPM but maintain PAT estimates due to lower tax rate. Maintain REDUCE with price target of Rs3,019 (20x FY14).

Result Highlights

■ Revenue growth ~31% YoY, led by appliances and pressure cooker

TTKPT posted revenue growth of ~31% YoY, better than estimate. Pressure cooker sales grew by ~37% YoY, appliances ~41% YoY, whereas cookware grew by ~3% YoY. Cookware sales were under pressure due to change in package offer with induction cooktops- from cookware to induction pressure cookers. Appliances saw high growth due to strong demand for Induction cook tops (+44% YoY) as subsidized gas cylinders were reduced by Government of India. The growth in revenues was aided by strong growth in Non-South markets (North & East India grew ~100%YoY whereas West grew by ~70% YoY) and higher exports (+250% YoY). Southern markets continued to see lower growth due to demand being slower from key markets like Tamil Nadu (de-grew 20%) and Kerala (de-grew 5%). In Tamil Nadu lower power availability is affecting the growth of appliances and the management is hopeful of some improvement going ahead.

■ OPM at ~14.2%; lower than estimate

TTKPT reported an OPM of ~14.2% a decline of ~170/60 bps YoY/QoQ. The YoY decline in OPM is due to increase in raw material cost by ~70bps (as the proportion of pressure cooker and cookware in total sales where margins are higher declined to ~52.6% in Q3FY13 from ~55.6% in Q3FY12) and higher other operating expenses (+~210 bps YoY). Other operating expenses increased due to higher discount (especially in slow moving markets like Tamil Nadu).

■ APAT growth of ~28% YoY, aided by lower tax provision

APAT grew by ~28% YoY due to lower tax provision. Effective tax rate during the quarter stood at 23.6% Vs 31.3% in 1HFY13 (30.3% in Q3FY12). Lower tax rate was due to higher sales from the recently commissioned Roorkee plant. Adjusted for tax, PAT growth would be ~16% YoY, marginally lower than estimate. Management has guided for a tax rate of ~28%-30% in Q4FY13 and ~28-30% in FY14.

■ FY13 revenue guidance maintained at ~25% revenue growth

TTKPT management has maintained its guidance of ~25%YoY growth in FY13. In 9MFY13 revenue has grown by ~23.4%YoY and for management to achieve its guidance, revenue has to grow at ~31% in Q4FY13. The management stated that the demand environment is tough and it may be difficult for it to achieve its guidance but is working towards it. Also, management has guided for continued pressure on OPM as it plans to spend aggressively in order to gain market share.

■ Cutting FY14 OPM estimates by 30 bps factoring lower OPM guidance but PAT unchanged

Reducing FY14 OPM estimate by 30 bps to 15% factoring in aggressive spend by management in order to gain market share. However, PAT estimates have remained unchanged factoring in lower tax rate (28.6% Vs 30% earlier). FY13 revenue and PAT estimates have been hiked by 1.5%/3.0%. PAT estimates have largely been increased due to lowering of effective tax guidance for FY13 (28.4% Vs 30% earlier).

■ Outlook and valuation

TTKPT results are marginally below estimate. We continue to believe TTKPT has a strong product portfolio and will witness earnings CAGR of 23% in FY12-14. However, due to lack of power availability and increased power tariff there will be near term growth pressures. Maintain REDUCE due to rich valuations and near term growth concerns with unchanged target price of Rs3,019 (20x FY14).

Financial snapshot

(Rs mn)

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
FY11	7,636	1,218	15.9	843.4	74.5	46.8	31.8	53.4	74.4
FY12	11,034	1,714	15.5	1,133.6	100.1	34.8	23.3	47.6	61.6
FY13E	13,587	1,988	14.6	1,295.8	114.5	30.5	20.3	39.2	46.2
FY14E	16,803	2,520	15.0	1,708.8	150.9	23.1	15.6	39.1	49.5

Source: Company; IDBI Capital Research

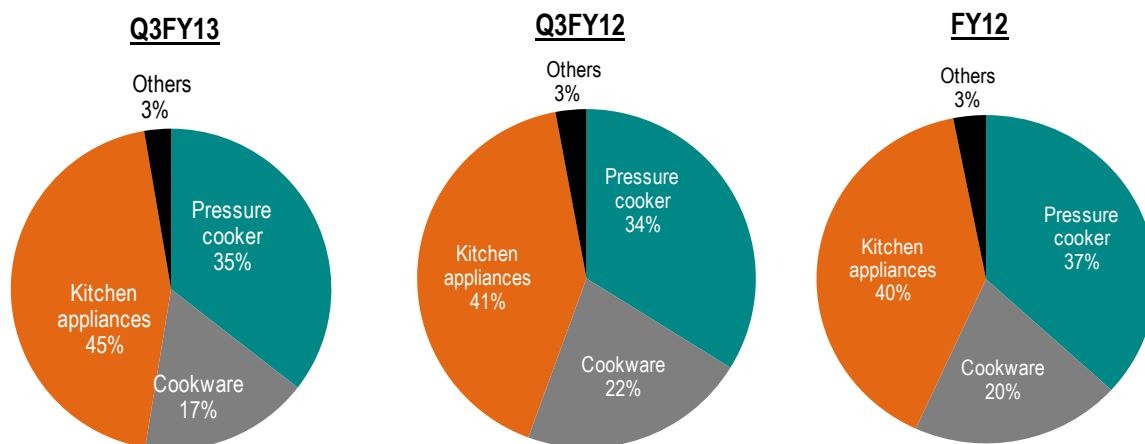
Table: Quarterly snapshot

(Rs mn)

Particulars	Q3FY12	Q3FY13	YoY (%)	9MFY12	9MY13	YoY (%)
Net sales/Operating income	3,343.3	4,371.3	31	8,710	10,752	23
Raw Material consumed	350	1,303	272	1,500	2,535	69
As a % of sales	10	30		17	24	
Purchase of traded goods	1,535	1,193	(22)	3,288	3,585	9
As a % of sales	46	27		38	33	
Employee Expenses	214	231	8	558	643	15
As a % of sales	6	5		6	6	
Other operating expenses	713	1,024	44	1,959	2,393	22
As a % of sales	21	23		22	22	
Total Operating Expenses	2,811.9	3,750.1	33	7,305	9,156	25
EBITDA	531.4	621.2	17	1,404.4	1,596.1	14
EBITDA margin (%)	15.9	14.2		16.1	14.8	
Other income	9	9	1	23	26	14
Interest	25	31	22	43	93	117
Depreciation	19	22	16	43	64	50
Profit/(loss) before tax	496	577	16	1,342	1,465	9
Tax	150.3	136.2	(9)	405.4	414.5	2
Tax rate (%)	30.3	23.6		30.2	28.3	
Adj Net profit	345.7	441.0	28	936.2	1,050.6	12

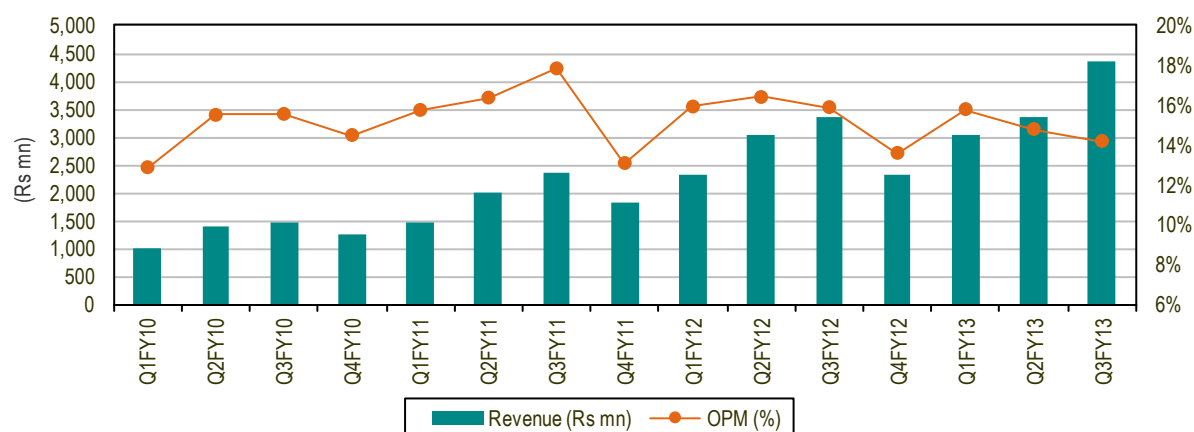
Source: Company; IDBI Capital Research

Figure: Revenue break-up



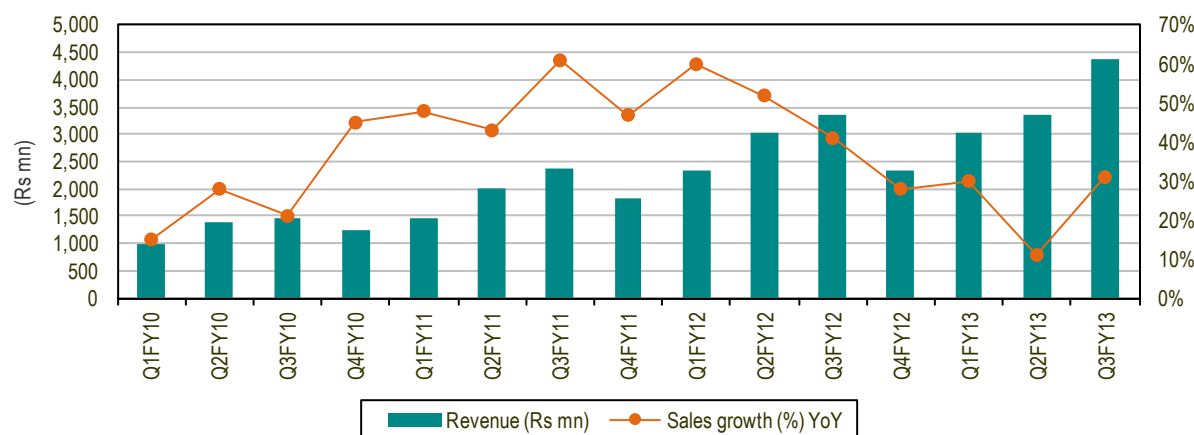
Source: Company; IDBI Capital Research

Figure: Quarterly Revenue and OPM



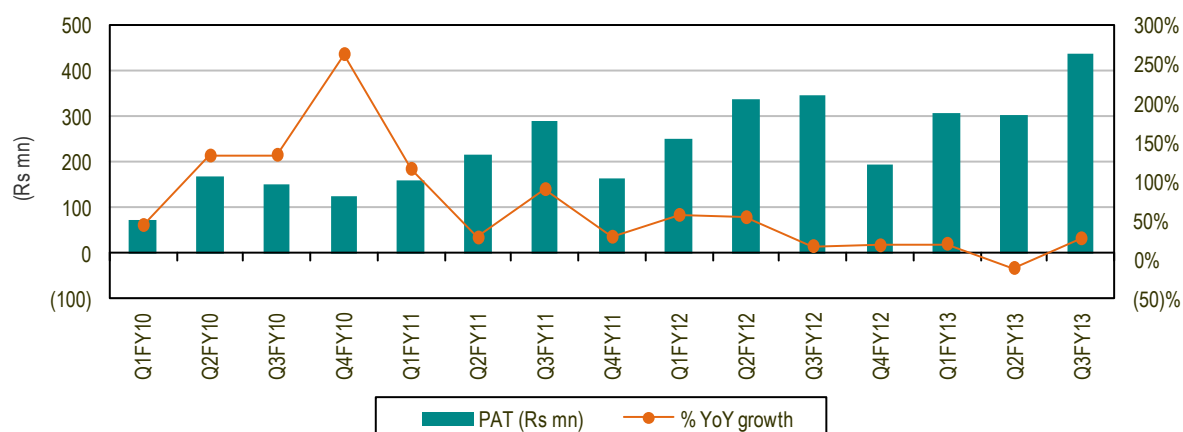
Source: Company; IDBI Capital Research

Figure: Quarterly revenue and YoY growth



Source: Company; IDBI Capital Research

Figure: Quarterly PAT and YoY growth



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY11	FY12	FY13E	FY14E
Net sales	7,636	11,034	13,587	16,803
Growth (%)	50.3	44.5	23.1	23.7
Operating expenses	(6,418)	(9,321)	(11,599)	(14,283)
EBITDA	1,218	1,714	1,988	2,520
Growth (%)	62.3	40.7	16.0	26.8
Depreciation	(43)	(62)	(88)	(136)
EBIT	1,217	1,689	1,934	2,452
Interest paid	(8)	(56)	(123)	(61)
Other income	42	37.66	34	68
Pre-tax profit	1,204	1,632	1,811	2,392
Tax	(366)	(499)	(515)	(683)
Effective tax rate (%)	30.4	30.6	28.4	28.6
Net profit	838	1,134	1,296	1,709
Adjusted net profit	843	1,134	1,296	1,709
Growth (%)	74.0	34.4	14.3	31.9
Shares o/s (mn nos)	11.3	11.3	11.3	11.3

Balance Sheet

(Rs mn)

Year-end: March	FY11	FY12	FY13E	FY14E
Net fixed assets	810	2,300	3,023	2,942
Investments	4	4	4	4
Other non-curr assets	-	-	-	-
Current assets	3,441	4,532	4,948	6,066
Inventories	1,050	1,749	1,712	2,026
Sundry Debtors	747	1,060	1,266	1,565
Cash and Bank	535	223	183	266
Loans and advances	-	-	-	-
Total assets	4,255	6,836	7,976	9,013
Shareholders' funds	1,915	2,851	3,768	4,978
Share capital	113	113	113	113
Reserves & surplus	1,801	2,738	3,655	4,864
Total Debt	23	597	1,012	22
Secured loans	14	449	22	22
Unsecured loans	8	147	990	0
Other liabilities	55	665	1,081	91
Curr Liab & prov	3,199	4,759	4,020	5,126
Current liabilities	2,285	3,320	3,127	3,944
Provisions	915	1,439	893	1,182
Total liabilities	2,340	3,985	4,207	4,035
Total equity & liabilities	4,255	6,836	7,976	9,013
Book Value (Rs)	167	250	331	438

Cash Flow Statement

(Rs mn)

Year-end: March	FY11	FY12	FY13E	FY14E
Pre-tax profit	1,204	1,632	1,811	2,392
Depreciation	43	49	88	136
Tax paid	(365)	(463)	(515)	(683)
Chg in working capital	279	23	(362)	205
Other operating activities	-	-	-	-
Cash flow from operations (a)	1,161	1,242	1,022	2,049
Capital expenditure	(212)	(1,540)	(811)	(55)
Chg in investments	-	-	-	-
Other investing activities	(461)	(612)	(288)	(423)
Cash flow from investing (b)	(895)	(1,930)	(1,099)	(478)
Equity raised/(repaid)	0	(0)	(0)	(0)
Debt raised/(repaid)	(5)	574	416	(990)
Dividend (incl. tax)	(164)	(197)	(379)	(499)
Chg in minorities	-	-	-	-
Other financing activities	-	-	-	-
Cash flow from financing (c)	(170)	377	37	(1,489)
Net chg in cash (a+b+c)	96	(312)	(40)	82

Financial Ratios

Year-end: March	FY11	FY12	FY13E	FY14E
Adj. EPS (Rs)	74.5	100.1	114.5	150.9
Adj. EPS growth (%)	74.0	34.4	14.3	31.9
EBITDA margin (%)	15.9	15.5	14.6	15.0
Pre-tax margin (%)	15.8	14.8	13.3	14.2
ROE (%)	53.4	47.6	39.2	39.1
ROCE (%)	74.4	61.6	46.2	49.5
Turnover & Leverage ratios (x)				
Asset turnover (x)	2.2	2.0	1.8	2.0
Leverage factor (x)	2.2	2.3	2.2	1.9
Net margin (%)	11.0	10.3	9.5	10.2
Net Debt / Equity (x)	(0.4)	0.1	0.2	0.0
Working Capital & Liquidity ratio				
Inventory days	50	58	46	44
Receivable days	36	35	34	34
Payable days	42	40	37	38

Valuation

Year-end: March	FY11	FY12	FY13E	FY14E
PER (x)	46.8	34.8	30.5	23.1
Price/Book value (x)	20.9	14.0	10.5	8.0
PCE (x)	44.6	33.0	28.5	21.4
EV/Net sales (x)	5.1	3.6	3.0	2.3
EV/EBITDA (x)	31.8	23.3	20.3	15.6
Dividend Yield (%)	0.4	0.4	0.8	1.1



Notes

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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.

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