

Rating Rationale

June 26, 2023 | Mumbai

TTK Prestige Limited

Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.177.5 Crore (Enhanced from Rs.136 Crore)
Long Term Rating	CRISIL AA/Stable (Reaffirmed)
Short Term Rating	CRISIL A1+ (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AA/Stable/CRISIL A1+' ratings on the bank facilities of TTK Prestige Ltd (TTK).

The company reported a 3% y-o-y growth in operating income in fiscal 2023 at ~Rs. 2777 crores, driven primarily by domestic sales which experienced a growth of 5%, as exports remained impacted owing to macro-economic headwinds in global markets. The profitability for the year was impacted with company reporting operating margin at ~13% (~15% in fiscal 2022) due to high value of carryover inventory till 9MFY23 and inventory write off in Q4FY23. This, coupled with higher operating expenses amidst inflationary environment impacted margins for fiscal 2023.

Wide presence of TTK in the online and offline channels, sustained demand for branded cookware and appliances, strong brand equity and addition of new products should support revenue growth of 8-10% over the medium term. Operating margin should improve and remain stable at 14-15% as raw material prices stabilize and will benefit from better economies of scale with higher sales.

Financial risk profile of TTK remains robust with healthy net worth and comfortable debt protection metrics. Liquidity is supported by estimated cash balance of more than Rs 800 crores as on March 31, 2023, and unutilized bank lines of Rs 76 crores. Over the medium-term, financial risk profile is estimated to remain strong.

The ratings continue to reflect the strong financial risk profile, marked by healthy network and negligible debt, and sufficient liquidity. The ratings also factor in the strong market position of TTK in the cookware and kitchen equipment space. These strengths are partially offset by exposure to intense competition from both organized and unorganized players, and susceptibility to volatility in raw material prices and foreign currency rates.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of TTK, TTK British Holdings Ltd, Horwood Homewares Ltd (Horwood) and Ultrafresh Modular Solutions Limited (Ultrafresh) collectively referred to herein as TTK. Horwood and Ultrafresh are subsidiaries of TTK, operating in the same business, with business and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Robust market position in the kitchen equipment space, with sound operating capabilities: The company should be able to maintain its strong market position, driven by a wide distribution network and healthy opportunities in the global market. Prestige is one of the strongest kitchen equipment brands, with a leading market share in the domestic pressure cooker segment. The company is present across the entire range, which includes cookware, appliances, gas stoves, mixer-grinders, cleaning solutions, etc. Competing with global brands, it has also ventured into the luxury segment in categories such as built-in ovens and island chimneys through Prestige Lifestyle stores. The in-house research and product development team helps expand the product base with innovation and improve overall efficiency.

Healthy financial risk profile: The financial risk profile should remain stable over the medium term, backed by healthy cash accrual, a comfortable capital structure, nominal outstanding debt (on a standalone basis), and robust debt protection metrics. The network is sizeable at over Rs 1,700 crore as on March 31, 2023, up from Rs 1,593 crore as on March 31, 2022. Debt protection metrics remains comfortable with gearing estimated to be around 0.02 times and NCATD of 6.37 times as on March 31, 2023.

Weaknesses:

Exposure to intense competition: TTK has a healthy market share in the domestic pressure cooker segment. In the inner-lid category, the company competes with established players such as Hawkins Cookers Ltd, which also holds a significant share of the pie. The multi-chain, large-format stores have further launched their own brands, to target customers looking for all products under one roof. Though the company is gradually increasing its market presence in the electric appliances segment by introducing new designs and products every year, but it continues to face competition from various regional and national players.

Susceptibility to volatility in raw material prices: Operating margin remains susceptible to volatility in prices of key raw materials (steel and aluminum) and adverse movements in forex rates. The company has been successful in transferring cost hikes to end-customers in the past but may still be partly vulnerable to any adverse movement in input cost.

Liquidity: Strong

Cash and cash equivalents estimated to be more than Rs 800 crore as on March 31, 2023. Furthermore, the fund-based limit of Rs 76 crore remained unutilized in the 12 months through March 2022. Expected cash accrual of around Rs 250-300 crores per fiscal should comfortably cover the annual capital expenditure of Rs 100-120 crores, and debt repayment in fiscal 2025. With the gearing estimated at 0.02 time as on March 31, 2023, there is sufficient headroom to raise additional debt. The minimal working capital expense is likely to be met via available cushion in the bank limit.

While the company is actively looking for an acquisition, there are no deals in the pipeline presently. In case of any deal materializing, the company will fund the same through its surplus fund and will still be able to maintain liquid surplus of around Rs 250 crores on a steady state basis.

Outlook: Stable

CRISIL Ratings believes the business risk profile of TTK will continue to be supported by a healthy market position in the kitchen equipment segment. Furthermore, the strong balance sheet and adequate liquidity should help offset any impact of stressed business conditions.

Rating Sensitivity Factors**Upward Factors:**

- Steady diversification in revenue streams and material improvement in market share in key product segments
- Revenue growth of over 20% (in compounded terms) and operating margin of above 16%, leading to significant and sustained increase in cash accrual
- Strengthening of the financial risk profile, especially liquidity

Downward Factors:

- Significantly weak operating performance, due to a steady decline in revenue or operating margin (to less than 12%)
- Any large, debt-funded capex or acquisition, or a significant stretch in working capital cycle, depleting the cash surplus, and weakening the capital structure

About the Company

Set up as a private limited company in 1955, TTK went public in 1994. It is among the leading brands in the kitchen equipment space, especially in the pressure cooker segment. The product profile is diversified, with 31% of revenue coming from pressure cookers, 16% from cookware, 49% from appliances. TTK is the flagship company of the TT Krishnamachari group of companies, which has interests in healthcare and consumer products and services.

Key Financial Indicators

As on/for the period ended March 31	Unit	2023	2022
Operating income	Rs crore	2,777	2,722
Profit after tax (PAT)	Rs crore	255	305
PAT margin	%	9.2	11.2
Adjusted debt/adjusted networth	Times	0.02	0.03
Interest coverage	Times	48.42	65.33

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	76	NA	CRISIL AA/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	60	NA	CRISIL A1+
NA	Standby Letter of Credit*	NA	NA	NA	41.5	NA	CRISIL AA/Stable

*Consisting of Standby Documentary Credit (SBDC) Facility / Overdraft of Rs 0.25 Crores

Annexure - List of Entities Consolidated

Name of the entity	Extent of consolidation	Rationale for consolidation
TTK Prestige Limited	Full	Parent
TTK British Holdings Limited	Full	Subsidiary with strong business and financial linkages
Horwood Homewares Limited	Full	Subsidiary with strong business and financial linkages
Ultrafresh Modular Solutions Limited	Full	51% Subsidiary with strong business and financial linkages

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	76.0	CRISIL AA/Stable		--	02-05-22	CRISIL AA/Stable	07-09-21	CRISIL AA/Stable	30-07-20	CRISIL AA/Stable	CRISIL AA/Stable
			--		--		--	12-05-21	CRISIL AA/Stable		--	--
Non-Fund Based Facilities	LT/ST	101.5	CRISIL A1+ / CRISIL AA/Stable		--	02-05-22	CRISIL A1+	07-09-21	CRISIL A1+	30-07-20	CRISIL A1+	CRISIL A1+
			--		--		--	12-05-21	CRISIL A1+		--	--
Commercial Paper	ST		--		--		--		--		--	Withdrawn

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	19.5	Canara Bank	CRISIL AA/Stable
Cash Credit	18	Bank of Baroda	CRISIL AA/Stable
Cash Credit	38.5	HDFC Bank Limited	CRISIL AA/Stable
Letter of credit & Bank Guarantee	18	Bank of Baroda	CRISIL A1+
Letter of credit & Bank Guarantee	21	HDFC Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	21	Canara Bank	CRISIL A1+
Standby Letter of Credit*	41.5	The Hongkong and Shanghai Banking Corporation Limited	CRISIL AA/Stable

*Consisting of Standby Documentary Credit (SBDC) Facility / Overdraft of Rs 0.25 Crores

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt
CRISILs Criteria for Consolidation

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