

## TTK PRESTIGE LTD.

CMP Rs. 1,495

<b>Industry</b>	<b>: House ware Appliances</b>	<b>52 Week High / Low</b>	<b>: Rs. 1752 / 412</b>
<b>BSE / NSE Volumes</b>	<b>: 10,000 / 20,000</b>	<b>Face Value</b>	<b>: Rs. 10</b>
<b>Market Cap</b>	<b>: Rs. 16,980 mn.</b>	<b>BSE / NSE Code</b>	<b>: 517506 / TTKPRESTIG</b>

### BACKGROUND

TTK Prestige Limited (TTK) has emerged as India's largest kitchen appliances company under its brand name 'Prestige', catering to the needs of home makers in the country over last five decades. TTK has the widest product portfolio covering all aspects of the Kitchen making it the only brand to offer TOTAL KITCHEN SOLUTIONS to the customer. The product range includes Pressure Cookers, Non-Stick Cookware, Rice Cookers, OTG's, Kitchen Hoods (Chimneys), Hobs, LP Gas Stoves, Coffee Makers, Kettles, Sandwich Toasters and many other small electrical appliances. It also offers Modular Kitchen solutions with the widest range of options in terms of design, choice of materials, accessories and hardware. TTK exports its products to USA, Europe, South Africa, Kenya, Australia, Singapore, Middle East, etc. apart from enjoying more than 45% market share in the organised Pressure Cooker segment. Today, 'Prestige' has matured from a traditional pressure cooker brand to complete kitchen solution provider.

### INVESTMENT RATIONALE

#### Moving Up the Value Chain

Pressure Cooker constitutes about 47% of total revenues of TTK. With Pressure Cooker market maturing and stagnating to some extent, TTK has ventured in to manufacturing of various household electronic appliances, kitchenware and modular kitchen. TTK is transforming itself from a mere Pressure Cooker manufacturer to total kitchen solution provider. Even, in its traditional area of Pressure Cooker, company has launched many variances leading to higher margins, that is very clearly reflected in company's FY10 financial performance. Gradually, contribution of other products is inching up leading to margin enhancement.

#### Robust Product Innovation, Launch and Acceptance

Leveraging its strong research base, TTK has been able to launch new variant of its existing products as well as new products, which contains many 'first timer' products. In recent past, TTK has launched 'Microwave Pressure Cookers' meant for use in a microwave oven for pressure cooking, 'Inner-lid Pressure Cookers' in a 'handi' shape to attract rural consumers, 'Induction Cook Top' along with necessary cookware, which work on electricity but there are no hot surface or flame reducing cooking time and saving energy. All these products have been launched at regular intervals and have received highly positive response from the users / consumers. TTK is expanding its products range, not just in existing product lines but also in new products for kitchenware and household appliances.

## **Widest Product Range**

Today, TTK is having a very wide range of consumer and household products ranging from Cookers, Non-Stick Cookware, Mixer Grinders, Hand Blenders, Pop-Up Toasters, Sandwich Toasters, Electric Kettles, Coffee Makers, Oven, Toaster & Grill, Irons, Juicers, Kitchen Hoods (Chimney), Gas Stoves, Modular Kitchens etc. This wide product range has helped the company in outperforming the general industry growth. The macro prospects such as good monsoon, rural push, higher spending / purchasing power in Tier II and Tier III cities have helped the company in posting robust volume growth. A better economic prospect of general consumers has open up the preference for branded products compared to un-branded products from un-organised sector.

## **Retail Presence**

TTK currently operates nearly 245 retail outlets under the 'Prestige Smart Kitchen' (PSK) brand through the franchise model, making it the largest kitchenware retail chain. The other channels include its vast network of authorized dealers, redistributors, tie-ups with large format stores and institutional sales. The company is on a significant retail expansion spree and expected to reach 255-260 outlets by March 2011. Currently, majority of outlets is restricted to the Southern region thus it plans at stepping up presence in West Bengal, Uttar Pradesh, Punjab and Maharashtra, marking its presence across geographies. The retail initiative has been a major volume growth driver for TTK as PSK contributes nearly 15% to the overall revenues and about one-third of the annual growth. This aids the company in fueling its growth engine in addition to strengthening the brand. TTK's superior market share and strong brand presence have largely insulated the company's cost shift to consumers, thereby leading to widening profit margins. Additionally, the retail presence helps the company to reach the customer directly, thus cutting down on the distribution channel cost which enhances margins further.

## **FINANCIAL HIGHLIGHTS**

TTK prestige reported a stellar performance in Q2 FY11. The top line of Rs. 1999 mn. grew by an astounding 43.4% YoY, 38% QoQ, The company posted life time high quarter revenues led by the expansion in product range, introducing wide variety of electrical appliances and kitchenware products. The EBITDA of Rs. 327 mn. grew by 52% YoY led by an improving margin bracket which gained 90bps YoY, 60bps QoQ. Although raw material costs have escalated by over 350bps as a % of sales, improving operating leverage has enabled the company to spike margins.

## **VALUATION**

At the current market price, TTK Prestige trades 22x and 17x its FY11E and FY12E earnings respectively. Keeping in view above industry growth, zero debt balance sheet and strong cash flow, the current valuations are reasonable, for a company expected to grow at a CAGR of about 25% for next 2-3 years. We recommend ACCUMULATE strategy for the stock and advise investors to buy the stock at every dip, with a decent return over a period of next 2 years.

**Table 1: Profit & Loss Account**

<b>Year End March (Rs. Mn.)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
Income From Operations	4,012.74	5,079.42	7,140.60	9,282.00
Other Income	4.98	11.41	40.00	50.00
Total Income	4,017.71	5,090.83	7,180.60	9,332.00
Raw Material Consumed	2,214.52	2,646.27	3,713.11	4,826.64
Administration, Selling & General Expenses.	1,478.40	1,694.34	2,320.70	3,016.65
Total Expenses	3,692.92	4,340.61	6,033.81	7,843.29
EBIDTA	324.79	750.21	1,146.79	1,488.71
Depreciation	34.76	35.89	42.56	45.00
PBT	290.04	714.32	1,104.23	1,443.71
Extraordinary Income	0.00	39.72	(5.90)	0.00
Tax	66.23	229.66	336.24	439.61
PAT	223.81	524.38	762.09	1,004.10
EPS	19.77	46.32	67.32	88.70
CMP	1,492	1,492	1,492	1,492
Price / Earning Ratio	75.46	32.21	22.16	16.82
EBIDTA Margin (%)	8.08	14.74	15.97	15.95
PBT Margin (%)	7.22	14.03	15.38	15.47
PAT Margin (%)	5.57	9.52	10.61	10.76

**Table 2 : Balance Sheet**

<b>Year End March (Rs. Mn.)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
Share Capital	113.34	113.34	113.34	113.34
Reserves & Surplus	733.13	1,128.39	1,777.28	2,611.58
Net Worth	846.47	1,241.73	1,890.62	2,724.92
Secured Loans	178.55	0.00	0.00	0.00
Unsecured Loans	28.39	27.99	27.99	27.99
Total Debt	206.94	27.99	27.99	27.99
Deferred Tax Liability	31.41	31.14	35.00	38.00
<b>Total Liabilities</b>	<b>1,084.82</b>	<b>1,300.86</b>	<b>1,953.61</b>	<b>2,790.91</b>
Gross Block	754.56	834.91	958.00	1,236.65
Less: Depreciation	395.69	430.19	472.75	517.75
Net Block	358.87	404.72	485.25	718.90
Add: Capital Work-in-progress	236.89	235.31	278.65	302.00
Total Fixed Assets	595.76	640.04	763.90	1,020.90
Investments	3.90	3.90	3.90	3.90
Stock-in-trade	503.10	612.91	892.58	1,160.25
Sundry Debtors	488.99	602.58	839.02	1,090.64
Cash & Bank Balances	108.98	439.71	569.37	797.58
Loans & Advances	213.19	425.80	479.80	504.00
	1,314.27	2,080.99	2,780.77	3,552.46
Liabilities	591.88	902.48	1,010.78	1,132.08
Provisions	237.23	521.59	584.18	654.28
	829.11	1,424.07	1,594.96	1,786.35
<b>NET CURRENT ASSETS</b>	<b>485.16</b>	<b>656.92</b>	<b>1,185.81</b>	<b>1,766.10</b>
<b>Total Assets</b>	<b>1,084.82</b>	<b>1,300.86</b>	<b>1,953.61</b>	<b>2,790.91</b>

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