

Company Update

White Goods &
Durables

Target price: Rs1,000

Shareholding pattern

(%)	Jun '22	Sep '22	Dec '22
Promoters	70.4	70.4	70.4
Institutional investors	22.4	22.4	22.4
MFs and others	13.5	13.5	13.1
Banks/Ins. Co.	0.0	0.3	0.3
FII	8.9	8.6	9.0
Others	7.2	7.2	7.2

Source: BSE

ESG disclosure score

Year	2020	2021	Chg
ESG score	NA	NA	-
Environment	NA	NA	-
Social	NA	NA	-
Governance	NA	NA	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

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INDIA



TTK Prestige

BUY

Maintained

Erasing the tag of a slow growth company; earnings CAGR higher than most peers over FY17-22

Rs756

The investors (we spoke to on TTK Prestige) believe that TTK is a slow growth company. TTK reported EBITDA CAGR of just 4.3% over FY12-17, materially lower than its peers. However, we note there is stark improvement in EBITDA CAGR over FY17-22. TTK's EBITDA CAGR was 14.3% over FY17-22, higher than its historical performance as well as its most peers. Chief reasons driving the improvement in EBITDA growth are (1) steady expansion of distribution, (2) expansion in Non-south India markets and (3) investments in new product launches. Considering the growth rates are largely similar to peers but TTK has superior return ratios, we believe its valuation multiples deserve rerating.

We model TTK to report revenue and earnings CAGRs of 13.3% and 24.4% over FY23-FY25E with (1) mid-single digit volume growth, (2) distribution expansion and (3) market share gains. Maintain BUY with DCF-based TP of Rs1,000 (implied P/E 35x FY25E EPS).

- ▶ **EBITDA CAGR weaker than peers over FY12-17...:** TTK's EBITDA CAGR of 4.3% over FY12-17 was lower than Havells (12.4%), Bajaj Ele (0.5%), V Guard (17.4%), Hawkins (10%) and Voltas (28%). We believe chief reasons were higher investments in employees and brand building.
- ▶ **... However, EBITDA CAGR higher than most peers over FY17-22:** TTK's EBITDA CAGR of 14.3% over FY17-22 was higher than most peers Havells (16.6%), Crompton (9.7%), Bajaj Ele (0.6%), Polycab (21.4%), V Guard (10.1%), Hawkins (10.2%) and Voltas (3.8%). TTK was able to report strong growth due to steady expansion of distribution network and launches of multiple new products/ variants.
- ▶ **Model earnings growth similar to peers:** We model TTK to report EBITDA CAGR of 23%, over FY23E-25E, largely similar to Havells (31.2%), Bajaj Ele (19.2%), Crompton (23.8%), and V Guard (26.6%). Chief reasons are (1) distribution expansion, (2) new launches and (3) likely market share gains in North India. We also model it to gain market shares in E-commerce.
- ▶ **Maintain BUY:** We model TTK Prestige to report PAT CAGR of 24.4% over FY23E-FY25E and RoE higher than cost of capital over FY23-25E. We remain positive on the company's business model due to its market leadership in key business segments and competitive advantages. We maintain BUY on the stock with DCF-based target price of Rs1,000 (implied P/E 35x FY25E). Key risks are steep competitive pressures and increase in raw material prices.

Market Cap	Rs105bn/US\$1.3bn	Year to March	FY22	FY23E	FY24E	FY25E
Reuters/Bloomberg	TTKL.BO/TTKPT IN	Revenue (Rs mn)	27,225	29,173	33,050	37,448
Shares Outstanding (mn)	138.6	Adj. Net Profit (Rs mn)	3,054	2,533	3,300	3,921
52-week Range (Rs)	1039/731	Dil. Rec. EPS (Rs)	22.0	18.3	23.8	28.3
Free Float (%)	29.6	% Chg YoY	32.2	(17.1)	30.3	18.8
FII (%)	9.0	P/E (x)	34.3	41.3	31.7	26.7
Daily Volume (US\$'000)	1,138	CEPS (Rs)	25.2	21.7	27.5	32.4
Absolute Return 3m (%)	(11.5)	EV/EBITDA (x)	23.0	27.9	21.7	18.4
Absolute Return 12m (%)	(1.7)	Dividend Yield (%)	0.7	0.8	0.8	0.8
Sensex Return 3m (%)	(3.7)	RoCE (%)	22.0	15.8	18.8	19.8
Sensex Return 12m (%)	10.8	RoE (%)	18.5	13.7	16.0	16.8

Please refer to important disclosures at the end of this report

Table 1: Revenue CAGR of TTK Prestige and peers

Company	FY12-17	FY17-22	FY12-22
TTK Prestige	10.8%	9.3%	10.1%
Havells	11.2%	17.8%	14.4%
Crompton		6.7%	
Bajaj Ele	6.5%	2.5%	4.5%
Polycab		17.3%	
V Guard	16.0%	10.9%	13.4%
Hawkins	8.9%	13.3%	11.1%
Volta	3.1%	5.6%	4.3%

Source: Company data, I-Sec research

Table 2: EBITDA CAGR of TTK Prestige and peers

Company	FY12-17	FY17-22	FY12-22
TTK Prestige	4.3%	14.3%	9.2%
Havells	12.4%	16.6%	14.5%
Crompton		9.7%	
Bajaj Ele	0.5%	0.6%	0.5%
Polycab		21.4%	
V Guard	17.4%	10.1%	13.7%
Hawkins	10.0%	10.2%	10.1%
Volta	28.0%	3.8%	15.2%

Source: Company data, I-Sec research

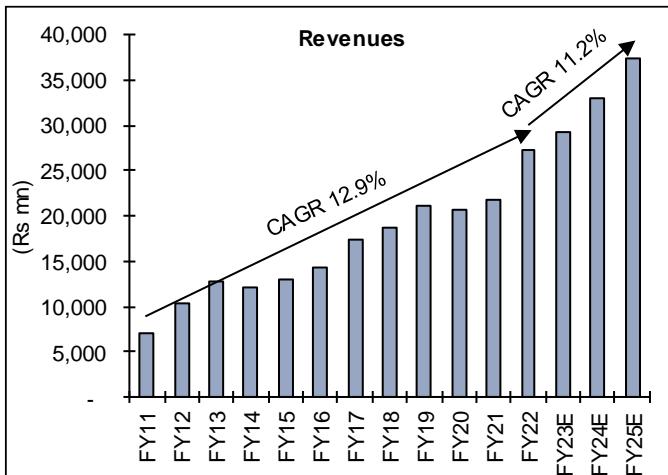
Table 3: PAT CAGR of TTK Prestige and peers

Company	FY12-17	FY17-22	FY12-22
TTK Prestige	6.4%	14.6%	10.4%
Havells	14.1%	15.2%	14.6%
Crompton		15.4%	
Bajaj Ele	-2.8%	6.8%	1.9%
Polycab		29.2%	
V Guard	23.3%	9.5%	16.2%
Hawkins	9.4%	12.3%	10.8%
Volta	8.0%	-0.6%	3.6%

Source: Company data, I-Sec research

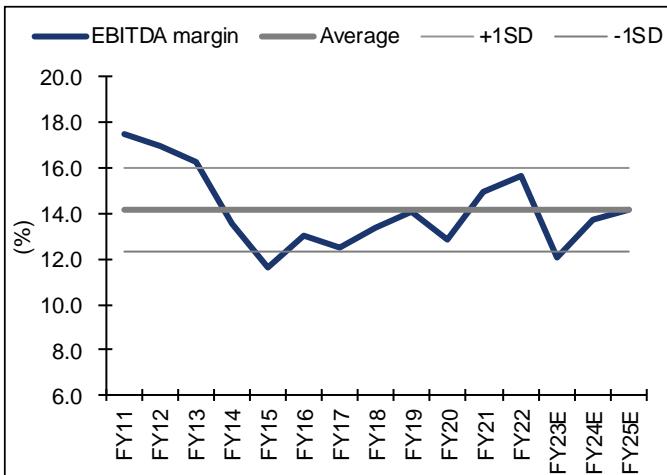
Key ratios – Annual

Chart 1: Revenue and revenue growth



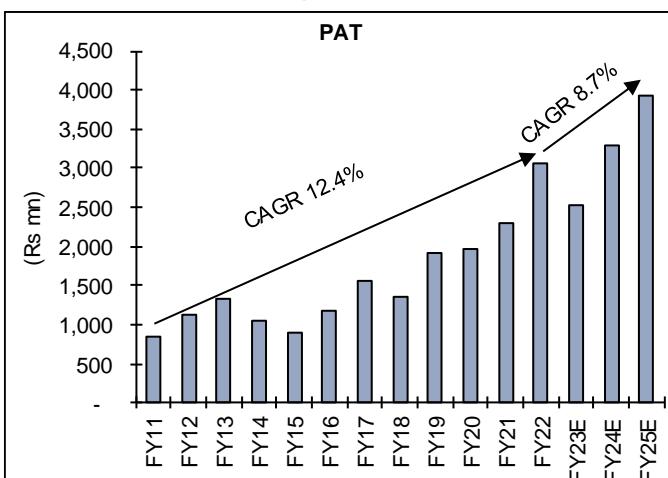
Source: Company data, I-Sec research

Chart 2: EBITDA margin



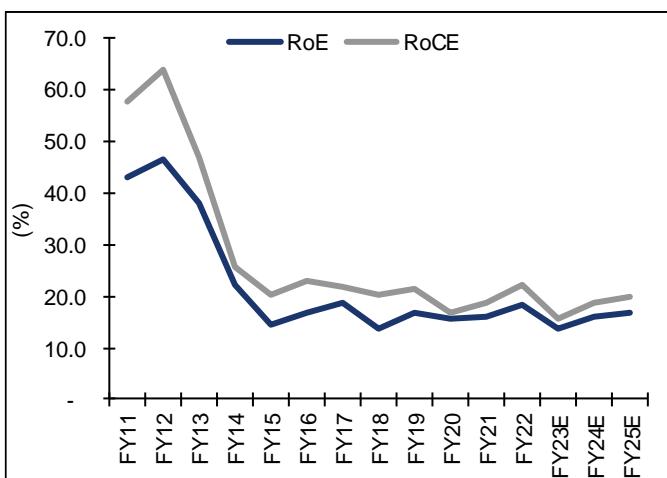
Source: Company data, I-Sec research

Chart 3: PAT and PAT growth



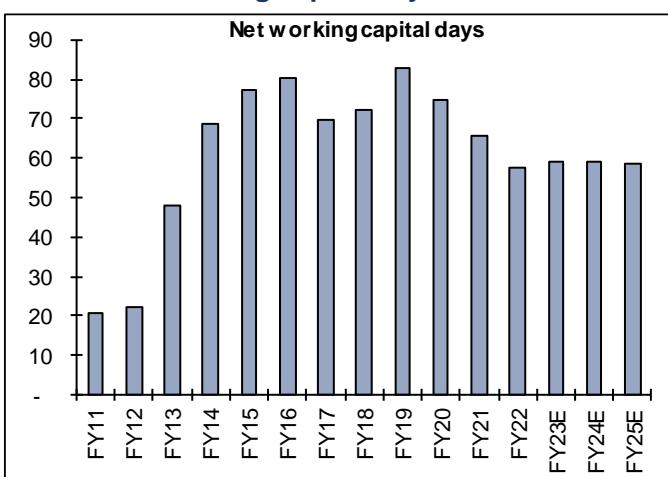
Source: Company data, I-Sec research

Chart 4: RoE and RoCE



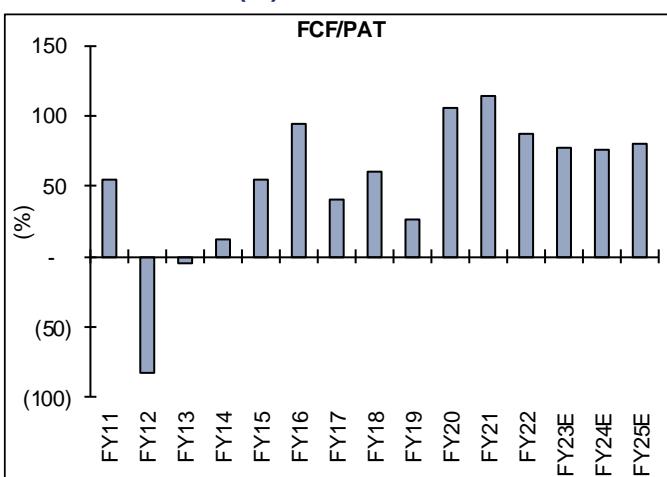
Source: Company data, I-Sec research

Chart 5: Net working capital days



Source: Company data, I-Sec research

Chart 6: FCF/PAT (%)



Source: Company data, I-Sec research

Valuation and risks

We model TTK Prestige to report revenue and PAT CAGRs of 13.3% and 24.4% over FY23-FY25E and RoE higher than cost of capital over FY23-25. At our DCF-based target price of Rs1,000, implied P/E works out to 35x FY25E EPS. Maintain **BUY**.

Table 4: DCF-based valuation

Particulars	Amt (Rsmn)
Cost of Equity (%)	10.9%
Terminal growth rate (%)	4.0%
Discounted interim cash flows (Rs mn)	43,451
Discounted terminal value (Rs mn)	95,149
Total equity value (Rs mn)	1,38,600
Value per share (Rs)	1,000

Source: Company data, I-Sec research

Risks

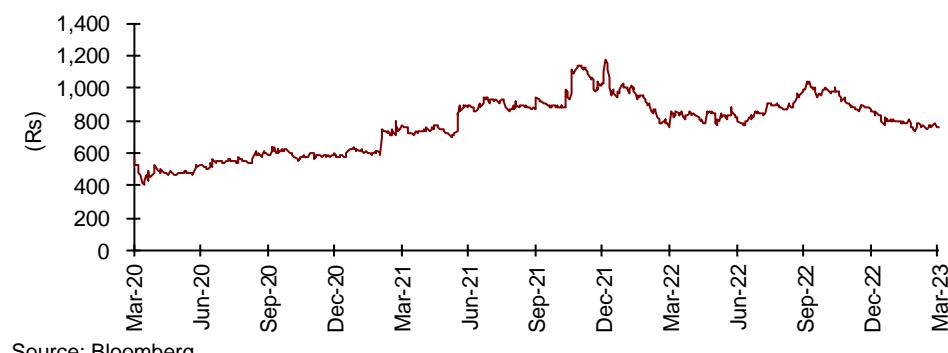
Sharp increase in input prices and competitive pressures

Major increase in input prices and/or increase in competitive pressures will likely result in downside to our estimates.

Delays in launch of new plants/products

Any delays in launch of new products and/or plants may result in lower earnings than estimated.

Price chart



Source: Bloomberg

Financial summary

Table 5: Profit and loss statement

(Rs mn, year ending March 31)

	FY22	FY23E	FY24E	FY25E
Net Sales	27,225	29,173	33,050	37,448
Operating Expenses	22,966	25,424	28,258	31,830
EBITDA	4,259	3,515	4,528	5,318
% margins	15.6	12.1	13.7	14.2
Depreciation & Amortisation	442	471	517	563
Gross Interest	62	66	58	50
Other Income	351	409	459	537
Recurring PBT	4,106	3,387	4,412	5,243
Less: Taxes	1,052	853	1,112	1,321
Less: Minority Interest	-	-	-	-
Net Income (Reported)	3,054	2,533	3,300	3,921
Extraordinaries (Net)	(46)	-	-	-
Recurring Net Income	3,008	2,533	3,300	3,921

Source: Company data, I-Sec research

Table 6: Balance sheet

(Rs mn, year ending March 31)

	FY22	FY23E	FY24E	FY25E
Assets				
Total Current Assets	13,983	15,469	18,411	22,121
of which cash & cash eqv.	4,046	5,058	6,621	8,830
Total Current Liabilities &				
Provisions	5,626	5,689	6,445	7,302
Net Current Assets	8,357	9,780	11,966	14,819
Investments	5,410	5,410	5,410	5,410
Net Fixed Assets	4,686	4,930	5,113	5,250
Capital Work-in-Progress	66	-	-	-
Total Assets	18,519	20,120	22,489	25,479
Liabilities				
Borrowings	851	751	651	551
Deferred Tax Liability	372	372	372	372
Minority Interest	-	-	-	-
Equity Share Capital	139	139	139	139
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	17,157	18,859	21,327	24,417
Less: Misc. Exp. n.w.o.	-	-	-	-
Net Worth	17,296	18,997	21,466	24,556
Total Liabilities	18,519	20,120	22,489	25,479

Source: Company data, I-Sec research

Table 7: Quarterly trend

(Rs mn, year ending March 31)

	Mar 22	June 22	Sept 22	Dec 22
Net sales	6,975	6,291	8,424	6,948
% growth (YoY)	16.6	56.8	(1.9)	(9.2)
EBITDA	1,092	799	1,184	800
Margin (%)	15.7	12.7	14.1	11.5
Other income	134	68	86	133
Extraordinaries (Net)	(17)	(97)	(116)	201
Adjusted Net profit	789	436	723	777

Source: Company data, I-Sec research

Table 8: Cashflow statement

(Rs mn, year ending March 31)

	FY22	FY23E	FY24E	FY25E
Operating Cashflow	3,894	3,005	3,818	4,484
Working Capital				
Changes	(805)	(411)	(624)	(644)
Capital Commitments	(412)	(650)	(700)	(700)
Free Cashflow	2,477	1,943	2,494	3,141
Cashflow from Investing Activities				
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	(123)	(100)	(100)	(100)
Dividend paid	(762)	(832)	(832)	(832)
Change in Deferred Tax Liability				
Chg. in Cash & Bank balance	(175)	1,012	1,562	2,209

Source: Company data, I-Sec research

Table 9: Key ratios

(Year ending March 31)

	FY22	FY23E	FY24E	FY25E
Per Share Data (Rs)				
EPS	22.0	18.3	23.8	28.3
Cash EPS	25.2	21.7	27.5	32.4
Dividend per share (DPS)	5.5	6.0	6.0	6.0
Book Value per share (BV)	127.5	139.7	157.6	179.9
Growth (%)				
Net Sales	24.5	7.2	13.3	13.3
EBITDA	30.1	(17.5)	28.8	17.4
PAT	32.2	(17.1)	30.3	18.8
Cash EPS	29.0	(14.1)	27.1	17.5
Valuation Ratios (x)				
P/E	34.3	41.3	31.7	26.7
P/CEPS	29.9	34.8	27.4	23.3
P/BV	5.9	5.4	4.8	4.2
EV / EBITDA	23.0	27.9	21.7	18.4
EV / Sales	3.6	3.4	3.0	2.6
Operating Ratios				
Raw Material / Sales (%)	58.6	61.0	59.3	58.8
Employee cost / Sales (%)	8.0	8.7	8.7	8.7
SG&A / Sales (%)	5.1	6.8	6.8	6.8
Other Income / PBT (%)	8.5	12.1	10.4	10.3
Effective Tax Rate (%)	25.6	25.2	25.2	25.2
Working Capital (days)	15.8	16.2	16.2	16.0
Inventory Turnover (days)	78.5	73.0	73.0	73.0
Receivables (days)	44.2	47.5	47.5	47.5
Payables (days)	74.0	69.4	69.4	69.4
Net D/E (x)	(0.4)	(0.4)	(0.4)	(0.5)
Profitability Ratios (%)				
Net Income Margins	11.2	8.7	10.0	10.5
RoACE	22.0	15.8	18.8	19.8
RoAE	18.5	13.7	16.0	16.8
Dividend Payout	25.0	32.8	25.2	21.2
Dividend Yield	0.7	0.8	0.8	0.8
EBITDA Margins	15.6	12.1	13.7	14.2

Source: Company data, I-Sec research

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