



Farsight

MORNING FARSIGHT

Friday, October 12, 2018

TTK PRESTIGE

CMP:RS 5850

TRGT:RS 6700

TIME HORIZON: 1 YEAR

TTK Prestige, the leading brand in kitchen appliances industry with 40%+ market share in organized market, offers an entire gamut of kitchen and home appliances (600+ products) including Pressure Cookers, Non Stick Cookware, Gas Stoves, Electrical Appliances like mixers, grinders, toasters, ovens, grills, Chimneys, Hob Tops, Clean Home Products. Company is targeting to double its revenue from current levels of Rs 1,881 cr to over Rs 4,000 cr in the next 5 years, due to demand for its products, new 5 cr LPG connections under the Ujjwala Scheme, inorganic expansion with debt free balance sheet and exports gaining traction. Pressure Cooker contributes nearly 34% of total revenue, while Appliances contribute 47% and rest comes from Cookware and other products. The company has been annually launching 50-100 new products for the past few years, which led to diversification in its product portfolio away from pressure cookers. In Q1FY2019 itself, there were 30 new launches and expects to launch 100 products in FY2019. Growth has revived in Q1FY19 with 17.5% yoy growth, which is expected to continue for the coming quarters. Further TTK Prestige is much ahead of its peers in Kitchen Appliances Industry, as 2nd player — StoveKraft (total revenue Rs 650 cr) and 3rd player- Hawkins Cookers (total revenue Rs 550 cr) is having 1/3rd and 1/4th of TTK's revenue. The most important trigger for TTK Prestige is Ujjawala scheme. Twenty-eight months since its launch, Pradhan Mantri Ujjwala Yojana (PMUY) has already achieved the initial target of providing 5-crore LPG connections to BPL households, and considering its success in the current year, the government has revised the target to 8 crore with a budgetary allocation of Rs12,800 crore. As on July 1, 2018, there are 23.5 cr LPG consumers in the country. As soon as a household gets a LPG stove connection, one of the first appliances they buy is a pressure cooker! TTK Prestige is a debt free and generated free cash flow in excess of Rs 100 cr in FY18 and had Rs 173 cr of net cash on balance-sheet as on 31-03-2018. Given rising demand for its products, company has lined up a capex of Rs 250 cr over FY19-21. This capex is to be internally funded from its operating cash flows. With improving profitability, its return ratios are expected to improve further from current RoE of 16% and RoCE of 20%. On an estimated EPS of Rs 160 for FY19, stock is trading at PE of 36.5x, which is sustainable, given market leadership and certainty on earnings growth, as no one postpones buying pressure cooker or Gas. Further, Hawkins Cooker, having 1/4th of revenue of TTK Prestige, is trading at PE of 30x on FY19 earnings, and hence we believe that valuations of TTK Prestige are sustainable. Seasonally as well, Q2 and Q3 are stronger quarter for the company and recent correction offers a good entry point. Share ruling at Rs5,850 can move to Rs 6,700 in 1 year.

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Disclosure of interest statement – • Analyst interest of the stock / Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.