

RESEARCH
TTK PRESTIGE | NOT RATED

Banking on brand value to blunt competition

SUMMARY
TTK PRESTIGE

- Demand for premium products buoyant but entry-level segment remains distressed
- Amid large global opportunity, management aims to expand export revenue share 5x over four years
- Online sales on the rise; brand value seen as adequate shield against competitors' discount-led digital growth strategy

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Daily macro indicators

Indicator	24-Nov	25-Nov	Chg (%)
US 10Y yield (%)	3.69	3.68	(2bps)
India 10Y yield (%)	7.26	7.30	4bps
USD/INR	81.63	81.68	(0.1)
Brent Crude (US\$/bbl)	85.3	83.6	(2.0)
Dow	34,194	34,347	0.4
Hang Seng	17,661	17,574	(0.5)
Sensex	62,273	62,294	0.0
India FII (US\$ mn)	23-Nov	24-Nov	Chg (\$ mn)
FII-D	4.0	58.4	54.4
FII-E	(220.3)	517.9	738.2

Source: Bank of Baroda Economics Research

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Consumer Durables

28 November 2022

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We hosted K Shankaran, ED of TTK Prestige (TTKPT IN, Not Rated) – a prominent manufacturer of kitchen appliances and cookware – on a call with investors. Key takeaways:

Premium segment buoyant but entry-level demand weak: Per TTKPT, the demand pendulum has tilted towards the premium product category despite inflation. Consumption of entry-level products has contracted as rising inflationary pressures have eaten into middle-class incomes.

Exports to scale up: TTKPT aims to expand its export business to Rs 5bn over the next half decade from Rs 1bn as of FY22. The company largely sells white-label products of big brands. Management indicated that its cost competitiveness and product energy efficiency are at par with Chinese and European manufacturers, making it an ideal candidate for incremental export orders.

Capacity adequate to meet demand: Management believes the company's current capacity is in sync with demand but may opt for debottlenecking if required, which can yield an additional Rs 2bn in revenue. The company has a sufficient land bank for expansion. Management aims to limit machinery expenses to Rs 100mn-120mn.

Ultrafresh deal marks entry into modular kitchens: TTKPT increased the stake in Ultrafresh Modular Solutions to 51%. Ultratech offers end-to-end solutions in the modular kitchen segment. Currently, this business is dominated by the unorganised sector, which suggests a strong opportunity for an established player such as TTKPT. The company has adopted a retail model for the segment with the opening of 120+ stores.

Online distribution on the rise: Online revenue contribution has risen from 12-14% pre-Covid to 16-18% at present (after highs of 40% during the pandemic) – well above the industry rate of 12-13%. Management is confident that its brand value ('Prestige' and 'Judge') will attract customers despite heavy discounts on offer by competitors on online platforms.

Ticker/Price	TTKPT IN/Rs 895
Market cap	US\$ 1.5bn
Free float	29%
52wk high/low	Rs 1,265/Rs 745
Promoter/FPI/DII	70%/9%/14%

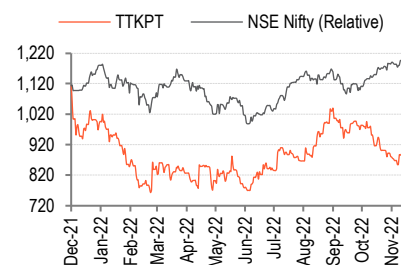
Source: NSE | Price as of 28 Nov 2022

Key financials

Y/E 31 Mar	FY20A	FY21A	FY22A
Total revenue (Rs mn)	20,730	21,942	27,225
EBITDA (Rs mn)	2,635	3,273	4,259
Adj. net profit (Rs mn)	1,962	2,310	3,048
Adj. EPS (Rs)	14.2	16.7	22.0
Adj. ROAE (%)	15.9	16.4	18.8
Adj. P/E (x)	62.9	53.5	40.5
EV/EBITDA (x)	45.9	36.9	28.4
Adj. EPS growth (%)	2.0	17.7	32.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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