Initiating Coverage | 18 March 2015
Sector: Consumer

TTK Prestige

Rules India's kitchen

Niket Shah (Niket.Shah@MotilalOswal.com); +91 22 3982 5426
Atul Mehra (Atul.Mehra@MotilalOswal.com);+91 22 3982 5417

TTK PRESTIGE: Rules India's kitchen

TTK Prestige

BSE Sensex	S&P CNX
28,622	8,686

Stock Info

Bloomberg	TTKPT IN
Equity Shares (m)	11.7
M.Cap. (INR b)/(USD b)	42.6/0.7
52-Week Range (INR)	4,830/2,700
1, 6, 12 Rel. Per (%)	9/-23/1
Avg Val (INRm)/Vol'000	82/23
Free float (%)	29.6

Financial Snapshot (INR b)

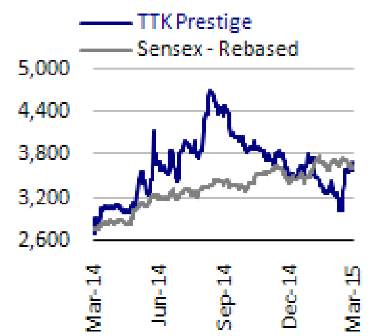
Y/E March	2015E	2016E	2017E
Sales	13.7	16.9	20.9
EBITDA	1.6	2.1	2.9
NP	1.0	1.4	2.0
EPS (INR)	84.1	118.1	167.5
EPS Gr. (%)	-8.1	40.5	41.8
BV/Sh. INR	562.9	648.2	768.9
RoE (%)	15.8	19.5	23.6
RoCE (%)	23.2	28.7	34.3
P/E (x)	43.3	30.8	21.7
P/BV (x)	36.2	26.6	19.4

Shareholding Pattern (%)

As on	Dec-14	Sep-14	Dec-13
Promoter	70.4	70.4	70.0
DII	4.5	3.1	1.4
FII	18.2	20.3	22.1
Others	7.0	6.2	6.4

Notes: FII incl. depository receipts

Stock Performance (1-year)



CMP: INR3,637 | **TP: INR5,000 (+37%)** | **Buy**

Rules India's kitchen

Set for growth revival

- **Prestige is India's brand leader in the kitchenware and appliances categories and commands a ~37% market share in pressure cooker category, 31% market share in the cookware category and ~10% market share in the appliances category.**
- **Having expanded fixed assets by 8x over last 5 years, TTKPT has ample room to improve capacity utilization (58% in pressure cookers and 42% in nonstick cookware). Substitution of imports with own manufacturing, revival of domestic demand as well as export strategy to drive utilization rate higher.**
- **With an aim to overcome predatory pricing by e-commerce players and avoid channel conflicts, TTKPT plans to directly tie up with e-commerce players to maintain price discipline. This will ensure traditional channels are not impacted.**
- **We believe the de-growth phase is behind for the company, and with discretionary spends revival as well as ramp-up of export opportunity, TTK will post a robust 23% revenue CAGR over FY15-17.**
- **We expect higher capacity utilization to drive significant operating leverage for TTKPT with margins expanding 240bp over FY15-17, driving 41% PAT CAGR.**
- **The stock trades at 30.8x and 21.7x FY16/17 EPS. We initiate coverage with a Buy rating valuing the stock at 30x FY17 EPS, with PT of INR5,000.**

Prestige is India's number-1 kitchenware brand

Prestige is the brand leader for kitchenware and appliances categories in India. TTKPT commands ~37% market share in pressure cooker category, 31% market share in the cookware category and ~10% market share in the appliances category, with an overall market share of 14% in the INR90b Indian kitchenware market. Strong advertisement spends of 7% of sales as against just 3-4% of sales for Hawkins and continuous product portfolio expansion (from just pressure cookers to complete range of kitchen products), geographic expansion into Non-South markets which now constitute 45% of sales have made *Prestige* the brand leader. This has ensured that once similarly sized, TTKPT has now grown to be 3x the size of Hawkins, reflecting continuous market share gains. We believe, with the right investments in brand and product extensions, TTKPT is best placed to capture the strong growth potential of the Indian kitchenware market.

Product portfolio expansion helps emerge as the leader in kitchenware

TTKPT has transformed itself from a mere outer-lid pressure cooker manufacturer to a complete kitchen solution provider. In line with its vision of '*Prestige* in every kitchen', it has entered several new product categories – nonstick cookware, kitchen electrical appliances and gas stoves. This has enabled TTKPT to expand its addressable opportunity from just INR13b to INR90b and reduce the share of pressure cookers in its overall sales from 59% in FY06 to 37% in FY14. Also, its wide product portfolio has enabled TTKPT to distinguish itself from its key competitor, Hawkins, which continues to be focused on just the pressure cooker and cookware categories.

Massive capacity expansion; sets right stage for growth

TTKPT has expanded its capacities across segments. It has incurred a capex of INR3b over FY11-14, multiplying its net block by 8x from INR419m to INR3,396m. Pressure cooker capacity was increased by 2x from 4.8m pieces to 9.6m pieces, while nonstick cookware capacity was increased by 6x from 2m units to 12m units. With expansion and consequent higher utilization, revenue from own manufacturing improved from 48% in FY13 to 57% in FY14. However, there still remains ample room to improve capacity utilization (58% in pressure cookers and 42% in nonstick cookware). TTKPT's new Gujarat unit which has a capacity to produce 7m pieces of non-stick cookware is currently utilizing capacities to the extent of ~40%. The management plans to raise utilization by substitution of outsourcing with own manufacturing for domestic business and initiatives towards developing a strong export business. Our interaction with management suggests that TTKPT is at an advanced stage of negotiation with foreign OEMs and has been working on trial orders for them. Thus, we expect export segment to meaningfully contribute from FY16.

Improvement in capacity utilization to drive margins higher

As the capacities are currently underutilized (58% capacity utilization in pressure cookers and 42% in nonstick cookware) there are significant under-absorbed fixed costs, dragging margins lower for these segments. As capacity utilization improves, we expect margins to expand 240bp over FY15-17 from 11.6% to 14% led by operating leverage. Further, with focus to ramp up value added segments like Hard Ionized and Stainless Steel category of pressure cookers (25% of total pressure cookers) and non-stick cookware (15% of total non-stick cookware), we expect realization per cooker / cookware as well as margins in these categories to improve going forward.

Plans direct tie-ups with e-commerce companies

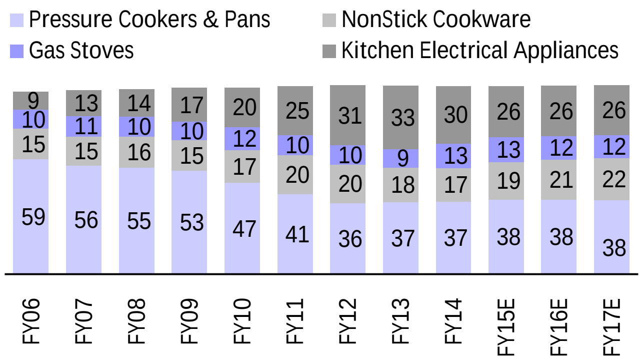
In our interactions, the management has indicated that a number of e-commerce firms have approached TTKPT for direct tie-ups to sell its products on their platforms. TTKPT intends to manage its own page on e-commerce platforms and ensure no predatory pricing. It is likely to take another six months to one year to make complete transition to this new arrangement with e-commerce firms, post which it can avoid channel conflicts faced in the past.

Valuation and view

We expect revenue to grow at a CAGR of 23% over FY15-17, led by 31% CAGR in nonstick cookware business, 23% CAGR in pressure cooker business, and 17% CAGR in appliances business. With operating leverage, we expect EBITDA to post 35% CAGR and PAT to post 41% CAGR over FY15-17. Led by better asset utilization, we expect return ratios to improve (RoCE to improve from 23% to 34% and RoE to improve from 22% to 24%). Given minimal reinvestment needs, annual free cash flow should improve to INR1.7b over FY15-17. The stock trades at 30.8x FY16E and 21.7x FY17E EPS. We initiate coverage with a **Buy** rating with a target price of INR5,000 valuing the stock at 30x FY17E EPS of INR167.5.

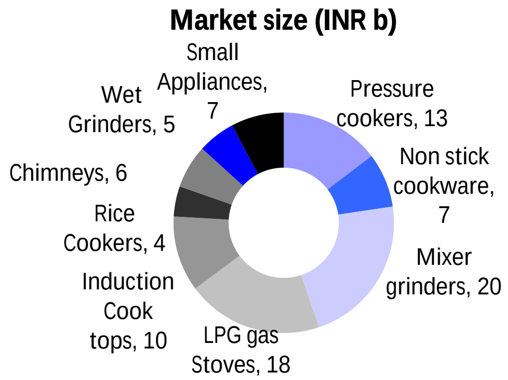
Story in charts: Rules India's kitchen

Exhibit 1: Significant portfolio expansion



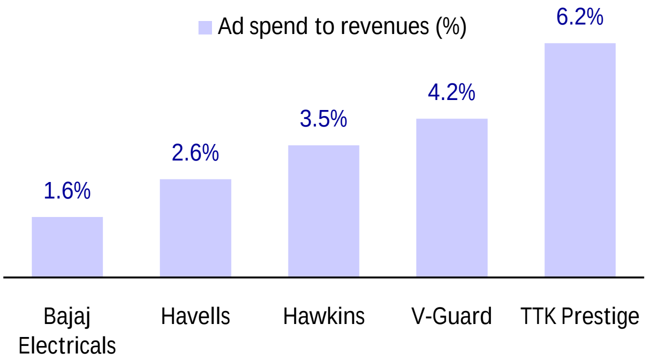
Source: MOSL, Company

Exhibit 2: Expanded opportunity size from INR13b to INR90b



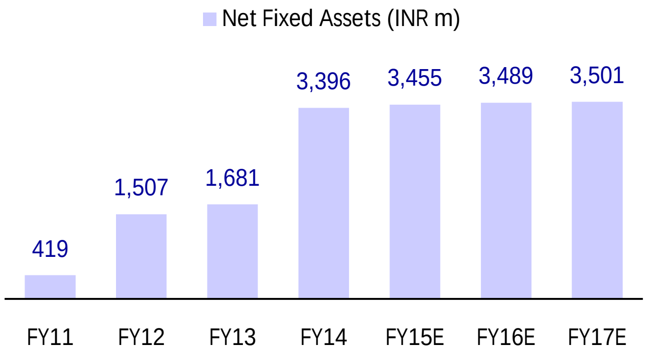
Source: MOSL, Company

Exhibit 3: Strong marketing investments



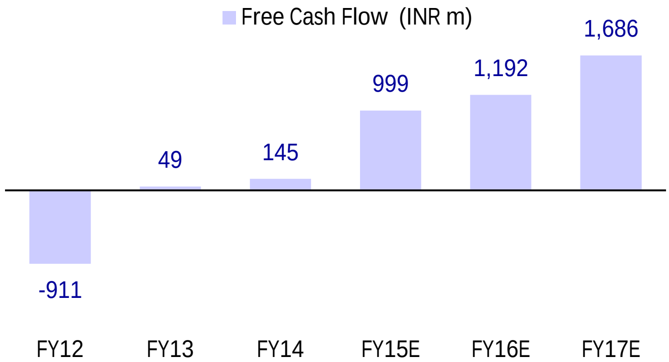
Source: MOSL, Company

Exhibit 4: Significant capacity expansion



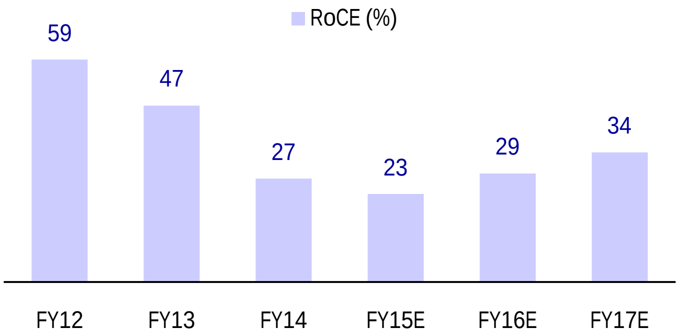
Source: MOSL, Company

Exhibit 5: Robust cash generation



Source: MOSL, Company

Exhibit 6: Strong return ratios



Source: MOSL, Company

Prestige is India's largest kitchenware brand

Key drivers: Advertising investments, portfolio expansion, distribution

- **Prestige is India's best known brand for kitchenware and appliances. TTKPT commands 14% share of India's INR90b kitchenware industry. It spends 7% of its sales on advertising, much higher than a peer like Hawkins which spends 3-4% of its sales.**
- **With product portfolio expansions, TTKPT has expanded its addressable opportunity from INR13b to INR90b and reduced the share of pressure cookers from 59% of its sales in FY06 to 37% in FY14.**
- **It has expanded its distribution network to penetrate the western, northern and eastern regions, and now derives 45% of its revenue from these markets.**

#1 Brand leader – number-1 in kitchenware

Prestige is India's number-1 kitchenware brand

Prestige is India's brand leader for kitchenware and appliances. It commands 14% share in the INR90b kitchenware industry. Innovative marketing, continuous investments in advertising, and expansion of product portfolio from just pressure cookers to complete range of kitchen products have ensured continuous market share gains for *Prestige*. Along with brand promotion, product exchange schemes have enhanced its brand loyalty. To project itself as a pan-India kitchenware player, in FY14, TTKPT appointed Bollywood celebrity couple Abhishek Bachchan and Aishwaria Rai Bachchan as its brand ambassadors. We believe, with the right investments in brand and product extensions, TTKPT is best placed to capture the strong growth potential of the highly fragmented Indian kitchenware market.

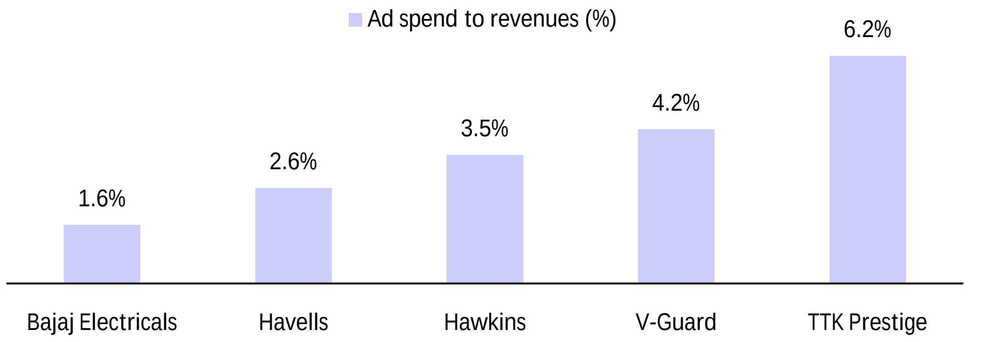
Exhibit 7: Bollywood celebrity couple Abhishek Bachchan and Aishwaria Rai Bachchan are Prestige's brand ambassadors

Source: Company, MOSL

Highest advertisement spends amongst peers drives brand leadership

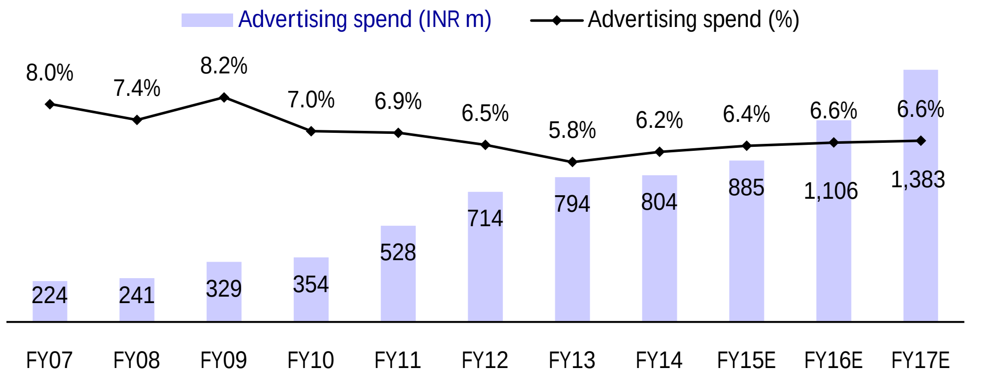
TTKPT has been continuously investing in brand building with the aim to enter new markets and widen its product portfolio. Its advertisement spends average around 7% of sales. In contrast, Hawkins spends just 3-4% and Bajaj Electricals spends 1.3-1.5%. Higher advertising spends over the years have helped TTKPT enter non-South markets and to penetrate into newer product categories. Newly launched products have received good market response despite tough competition from existing players in those products. We believe TTKPT is on the right track to develop a premium brand image and become the first choice for consumers looking for better quality kitchenware. TTKPT continued its brand and marketing investments despite slowdown in sales over last two years, which we believe should help TTKPT in outperforming industry growth as discretionary spending revives.

Exhibit 8: TTKPT has the highest advertisement spends amongst peers



Source: Company, MOSL

Exhibit 9: TTKPT has been continuously investing in advertising and brand building



Source: Company, MOSL

Fragmented category structure benefits industry leader

The kitchenware category (pressure cookers, cookware, stoves and small kitchen electrical appliances) in India is highly fragmented, not only in terms of number of manufacturers, but also in terms of product range. Unorganized players command a significant portion of the category – about 50% of the pressure cooker and 60% of the nonstick cookware segment is unorganized. Also, penetration levels are still low – about 40% for pressure cookers, with rural penetration at 25%. TTKPT with its strong *Prestige* brand would be a key beneficiary of the strong growth in kitchenware. Its dominating position in various segments of kitchenware, wide array of products across kitchen services, extensive distribution network, and continuous new product launches should help drive strong growth for the company.

Exhibit 10: TTKPT commands strong market shares across kitchenware categories

Categories	Market size (INR b)	Organized proportion (%)	TTKPT's revenue (INR b)	TTKPT's market share	TTKPT's revenue proportion
Pressure cookers	13.2	50%	4.9	37%	38%
Non-stick cookware	7.2	40%	2.3	31%	17%
Gas stoves	18.0	50%	1.7	9%	13%
Kitchen electrical appliances	51.6	50%	3.9	8%	33%

Source: Company, MOSL

Kitchenware industry moving from 'being functional' to 'being fashionable'

Psychographic changes are making way for national brands like *Prestige.* With rising affluence and aspiration levels, consumers are willing to pay a premium for branded kitchenware, which offers assurance of quality and a reliable service network. Also, kitchens are rapidly changing from being functional to being fashionable. Consumers are increasingly spending time and resources to build convenient, organized and fashionable kitchens. Growing usage of modular kitchens points to consumers' increasing interest in making kitchens lifestyle statements. While most of the demand is from upper middle class urban households, middle class families (even in tier-II/III cities) are also adding to demand. Consumers are spending not just on furniture and modular kitchens, but also on branded kitchenware. All these changes augur well for TTKPT's growth prospects.

Favorable demographics support strong growth for branded kitchenware

Various changes in demographics like (1) shift from joint to nuclear families (average household size has declined from 5.5 in 1991 to 4.9 in 2011), (2) rapid urbanization (increased from 28.2% in 2001 to 31.2% in 2011, but still much below the world average), and (3) rise in working couples (female participation in organized sector has risen from 17.8% in 2001 to 19.9% in 2009) are increasing the number of households, and more importantly, creating a need for convenience. A decline in available cooking time has increased demand for efficient (like pressure cookers and other kitchen electrical appliances), innovative (like microwave pressure cookers) and quality (like nonstick cookware) kitchenware.

#2 Largest product portfolio and highest number of innovations

Has expanded product portfolio to emerge as Kitchen King

TTKPT has transformed itself from a mere outer-lid pressure cooker manufacturer to a complete kitchen solution provider. In line with its vision of 'a *Prestige* in every kitchen', it has entered several new product categories like nonstick cookware, kitchen electrical appliances and gas stoves. This has enabled TTKPT to expand its addressable opportunity from just INR13b to INR90b and reduce the share of pressure cookers in its overall sales from 59% in FY06 to 37% in FY14. Its wide portfolio has enabled TTKPT to distinguish itself from its key competitor, Hawkins, which continues to focus on just pressure cookers and cookware.

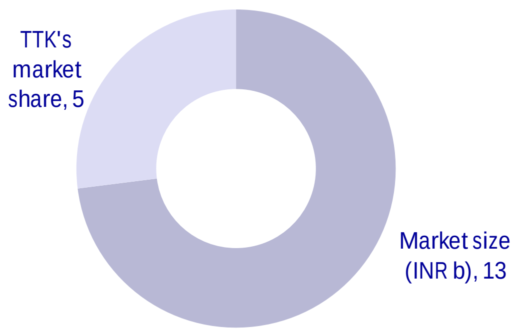
Exhibit 11: Expanded from fewer than 100 SKUs till 2001…

Source: Company, MOSL

Exhibit 12: …to several hundred SKUs currently

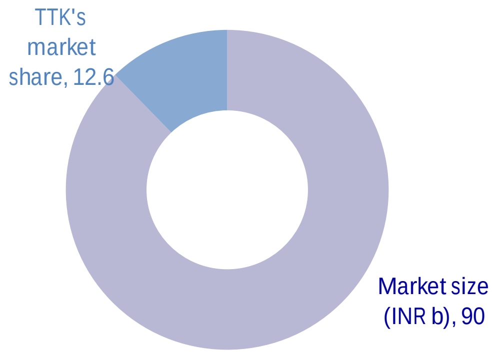
Source: Company, MOSL

Exhibit 13: With only pressure cookers, TTKPT's market size would have been limited to just INR13b…



Source: Company, MOSL

Exhibit 14: With multiple product categories, TTKPT has expanded its market size to INR90b

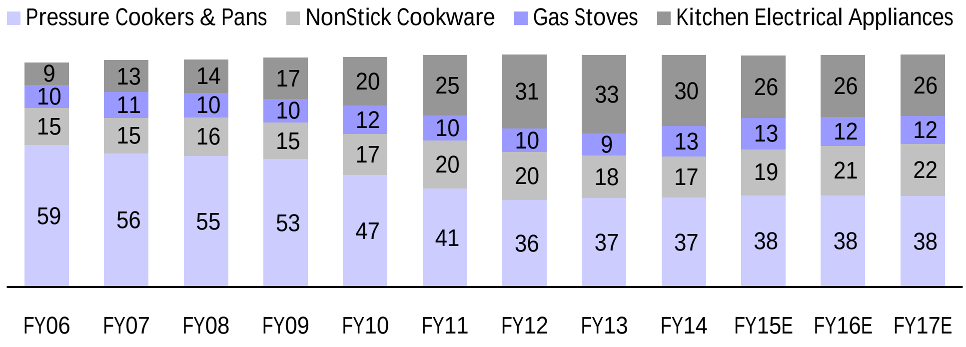


Source: Company, MOSL

Focus is on driving higher sales of value added cookers and cookware

TTKPT is focusing on value added Hard Ionized and Stainless Steel category of pressure cookers and non-stick cookware as against traditional aluminum pressure cookers and cookware. These value added products command ~30% higher pricing as compared to traditional products along with 100-200bp higher margins. Our interaction with management suggests, value added products currently form 25% of pressure cooker sales and 15% of non-stick cookware sales. With focus to ramp up value added segments, we expect realization per cooker / cookware as well as margins in these categories to improve going forward.

Exhibit 15: TTKPT has expanded its product portfolio significantly over the years



Source: Company, MOSL

Exhibit 16: TTKPT's product range for complete kitchen solutions

Preparation before cooking	Food preparation	Kitchen supplements	Kitchen hardware
Chopping	Pressure cooking	Heaters	Chimneys
Blending	Cooking	Toasters	Storeware
Grinding	Sautéing, frying, etc	Beverage makers	
Processing	Baking		
Products	**Products**	**Products**	**Products**
Mixer grinders	Pressure cookers	Kettles	Complete kitchen solutions
Food processors	Nonstick cookware	Pop-up toasters	
Choppers	LPG gas stoves	Sandwich toasters	
Blenders	Induction cook tops	Coffee makers	
Juicers	LPG hobs	Tea makers	
Wet grinders	OTGs		
Knives	Microwave ovens		
	Rice cookers		
	Barbecues		

Source: Company, MOSL

Exhibit 17: Wide product portfolio

Source: Company, MOSL

Highest product launches – First tapping inner-lid pressure cooker market…

TTKPT has been a pioneer in launching new products as well as product variants such as microwave pressure cookers, induction cooktops, induction cookers/cookware and the Apple range of inner-lid pressure cookers. Firstly, TTKPT entered the inner-lid pressure cooker segment to penetrate the northern and north-eastern markets (where inner-lid is prominent as against outer-lid which is prominent in South India) through the launch of *Prestige Nakshatra* range of inner-lid pressure cookers in the regular and 'handi' varieties.

Followed by launch of appliances & pressure cookers with better aesthetics

It further widened its offering through the *Prestige Apple* range of small inner-lid pressure cookers with three-liter capacity in vibrant colors, targeting younger urban families to meet the requirements of their modern kitchens and also for aesthetic appeal. It upgraded its *Prestige Omega* range of cookware products and introduced new products in the kitchen electrical appliances category.

Emerged as the leader in Induction cook top and cookware

Similarly, the introduction of induction cooktop was well timed, as consumers looked for a credible alternative to gas cylinders, as the government capped subsidized cylinders. Additionally, to improve the usability of the traditional cookers and cookware on induction cooktop as well, it introduced the highest range of induction based cooker and cookware products in the market at a minimal premium of 4-5% over traditional products. This was at a time when competitors like Hawkins ignored this category. Even today, TTKPT has 4x the range of Hawkins in induction cookware clearing indicating TTKPT's strong leadership in this segment.

Focus on innovative products and superior design has helped TTKPT to continuously gain market share from its peers. TTKPT introduces 70-100 new SKUs across product categories every year, which help it to stay ahead of competition.

Exhibit 18: Track record of consistent innovations across product categories

Year	New products introduced annually
FY04	50 new product variants; hard anodized, stainless steel pressure cookers
FY05	Omega select range of non-stick cookware
FY06	Non-stick coated pressure cookers in both handi and kadai shapes; 50 new product variants
FY07	Introduced *Prestige Nakshatra*, a range of inner-lid pressure cookers; 89 SKUs across seven categories
FY08	86 new SKUs, five new product categories
FY09	New range of induction cooktops
FY10	Introduced a host of new product categories including the *Apple* range of inner-lid pressure cookers, microwave pressure cookers, range of induction cook tops and induction compatible cookware range
FY11	67 new SKUs and product variants for the appliance segment
FY12	60 new SKUs covering pressure cookers, induction cook tops, mixer grinders, rice cookers, gas stoves and other small electric appliances
FY13	110 new SKUs across pressure cookers, induction cook tops, mixer grinders, rice cookers, gas stoves and other small electrical appliance segments
FY14	~70 new SKUs
FY15	Plans to introduce ~100 SKUs, and a range of products in the water purifier and kitchen storeware segments

Source: Company, MOSL

Exhibit 19: Key innovations at TTKPT

Source: Company, MOSL

International alliances to drive premiumization

To drive future growth, TTKPT is diversifying its portfolio by establishing alliances with international brands in segments like tableware, storage management and water filters. It has entered into business agreements with major international kitchenware manufacturers, including World Kitchen, Meyer Corp, and Vestergaard Frandsen. However, after the partnership with World Kitchen failed to garner expected financial results in FY13, TTKPT decided to restrict the distribution alliance to the storeware range under the *Snapware* brand. We expect water filters to be a key product launch, with meaningful revenue contribution from FY17.

Exhibit 20: Alliances with global brands

Partner	Brands/products	Comment
Vestergaard Frandsen	LifeStraw water filters	The water filter market in India is largely untapped (~5% penetration) and, thus, offers immense potential. TTK is licensing the water filters, manufacturing them in its Gujarat plant and will be marketing the products (co-brand)
Schott AG	Prestige Premia range of glass top gas stoves	The high-end gas stoves range is aimed at 'premiumizing' its brand and for catering to the high-end segment of the market
Meyer Corp	A range of cookers and cookware products under known brands such as Anolon, Circulon, Faberware and Bonjour	The products are aimed at the premium segment; TTK has the distribution rights for these products

Source: Company, MOSL

Expect water purifier to be a strong product for TTKPT

The water purifier market in India is underpenetrated (~5% penetration), which presents immense growth potential. The industry is expected to grow rapidly in the next few years, driven by rise in health awareness and increase in affordability. TTKPT has entered into an alliance with Vestergaard Frandsen, a Switzerland-based manufacturer of non-electric water purifiers, to enter the water purifier market in India as a natural extension of its product line. TTKPT plans to introduce an entry-level water purifier at ~INR2,000 to penetrate this segment. The share of non-electric water purifiers currently stands at ~20%, and this would be the core target segment for TTKPT. We expect meaningful revenue contribution from FY17.

#3 Strong distribution network

Reaching last mile via vast distribution network

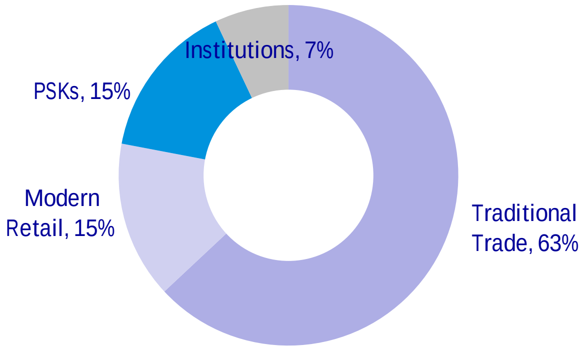
TTKPT sells its products through multiple distribution channels, supported by a large network of dealers. This has enabled TTKPT to reach new markets and more consumers. It markets its products through authorized direct dealers, authorized redistributors, large format stores (like Big Bazar, Star Bazar), institutions (large corporate houses that place bulk orders for gifting), multi-level marketing chains, and franchise retail outlets – *Prestige Smart Kitchen*. This also provides it higher bargaining power and eliminates the risk of dependence on any one channel. Increasing urbanization and rising incomes would spur consumer demand from tier-II and tier-III markets, which can only be met by an extensive distribution network and strong brand presence. With pan-India presence and a vast distribution network of ~23,000 direct dealers, TTKPT is well positioned to tap these opportunities.

Exhibit 21: TTKPT has strong presence across distribution channels

Traditional Trade	Modern Trade	Own Retail	Institutions
Authorized Direct Dealers	Hypermarkets	Prestige Smart Kitchens	CSD
Authorized Re-distributors	Super markets		BPCL
Sub Dealers	Shop in Shop		HPCL
			Corporate and Govt.

Source: Company, MOSL

Exhibit 22: Revenue mix from various channels



Source: Company, MOSL

Emerged from a South India player to a pan India player

TTKPT was traditionally a South India focused player, deriving most of its revenue from this market. To expand its addressable market, TTKPT has leveraged its brand and expanded distribution network in the last few years to penetrate the western, northern and eastern regions. It derives 45% of its revenue from non-South markets.

Prestige Smart Kitchen – marketing tool turned into distribution model

TTKPT launched its exclusive retail outlets, *Prestige Smart Kitchen* (PSK) in early 2003 as part of its marketing strategy. Its foray into non-traditional products such as nonstick cookware, gas stoves and kitchen electrical appliances initially failed to generate interest among dealers, who were apprehensive about the acceptance of TTKPT's new products in the market, given the presence of other brands. To market these products and reach out to consumers, it opened retail stores under the franchisee model. These stores met with a high degree of success and attracted a large number of consumers, which eventually encouraged dealers to ask for TTKPT's new products. What began as a marketing tool has now evolved into a distribution model, with 561 *Prestige Smart Kitchen* outlets contributing 15% of its sales.

Asset-light model eliminates risk

Prestige Smart Kitchen (PSK) stores follow an asset light model, with the franchisee bearing all establishment and running costs, limiting TTKPT's investment requirements. Further, store expansions bear negligible risk, as the stores are under the franchisee model - product transfers to these outlets are treated as a normal sale to a dealer and the company has no liability, thereafter. Additionally, PSK stores act as a useful marketing tool, helping to increase brand visibility.

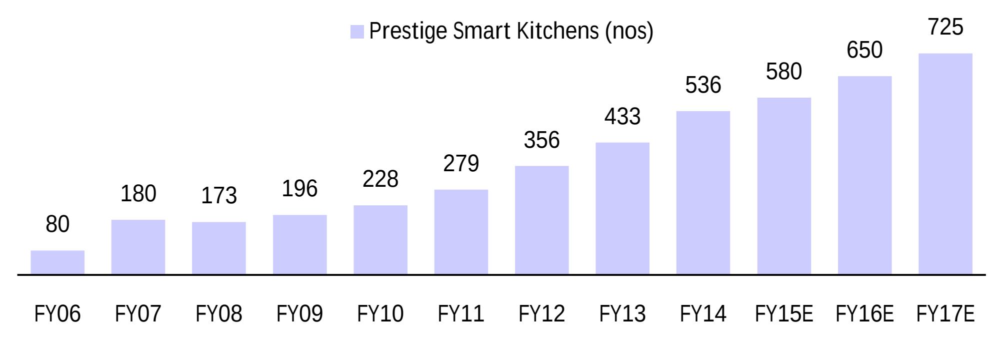
Benefits of the PSK model:-

- PSK showcases the entire Prestige product range from pressure cookers to induction cook-tops and electrical appliances whereas a normal dealer would have space constraint and investment issues in stocking up the whole range. At times, he is also limited by the profile of customers he caters to. Consequently, PSKs help push the brand as a 'total kitchen solutions provider' for the entire customer base.
- The retail presence helps the company reach customers directly thus limiting the distribution channel costs, enhancing margins further and providing better bargaining power for itself. It also eliminates the risk of dependency on any one particular channel.
- There are several geographies wherein households have the ability and willingness to buy branded kitchenware, but do not have brand awareness and access to distribution network of such products. The network of PSKs penetrates such geographies and enables Prestige to grab a bigger share of the pie when consumers shift from unorganized to organized buying of kitchenware.

Expanding retail network to support new product launches

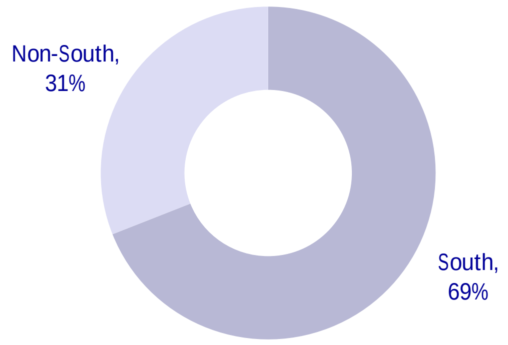
~70% of PSK stores are in South India. TTKPT plans to take the total number of outlets under PSK to 800 over the next three years. The increasing number of PSK stores provides a robust platform for launching new product categories (such as water purifiers) and helps in gaining brand visibility.

Exhibit 23: Strong expansion in Prestige Smart Kitchen stores



Source: Company, MOSL

Exhibit 24: Prestige Smart Kitchen store mix (%)



Source: Company, MOSL

Superior supply chain management

Our channel checks suggest that TTKPT's supply chain management is superior compared with Hawkins. Dealers in North India suggest that proximity to the wholesale distributor and product availability at their stores is one of the biggest factors driving penetration of TTKPT's products in a market previously dominated by Hawkins. TTKPT follows a hub-and-spoke supply chain model, with 23 warehouses across India and a large number of wholesale distributors across cities to cater to the demand for stock from all three distribution channels – retail supermarkets, traditional dealers, and franchisee shops.

Creating replacement demand through exchange schemes

TTKPT derives ~20% of its sales through exchange schemes and other promotions. This has led to creation of substantial replacement demand for its pressure cookers, nonstick cookware and gas stoves, which otherwise have high durability with product life of 8-9 years. The kitchen electrical appliances have a much shorter life of 2-3 years, fostering a natural replacement market. Consumers are always attracted to branded products being sold at discounted prices. Besides, higher income levels have also led consumers to shift to products with better features and greater brand value. TTK runs the 'Exchange Anything for Anything' scheme where consumers can bring in any old product and exchange it for any new Prestige product of their choice, which has been a big success. Strong brand positioning coupled with such schemes will enable TTKPT to achieve higher sales.

Significantly outperformed competition

Has grown to 3x the size of Hawkins over the last decade

- **Ten years ago, TTKPT and Hawkins were of similar size. TTKPT has since grown to be 3x the size of Hawkins in terms of revenue and PAT.**
- **We believe TTKPT's superior strategy of aggressive product launches and distribution expansion has driven its outperformance over Hawkins.**

TTKPT's aggressive strategy has driven outperformance against competition

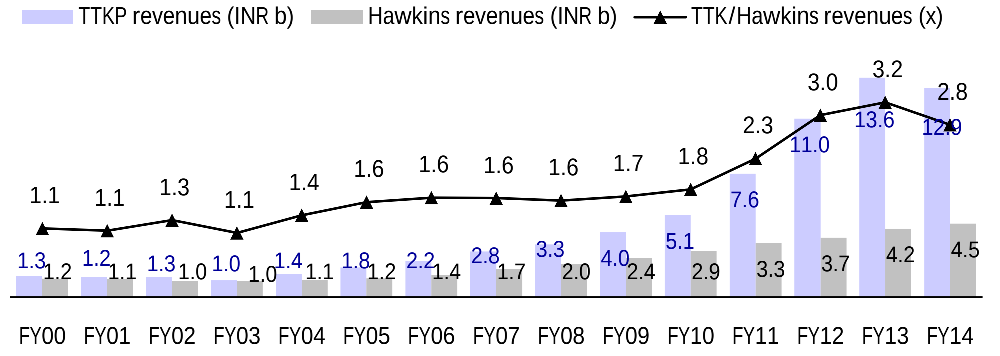
While TTKPT and Hawkins were similarly sized businesses ten years ago, TTKPT has consistently outperformed Hawkins on all parameters. The net result is that TTKPT's revenue and PAT are 3x those of Hawkins.

Exhibit 25: Snapshot of relative performance of TTKPT and Hawkins

10 Year Period	TTK Prestige	Hawkins	Difference
Revenue growth	25%	16%	9%
EBITDA growth	30%	26%	4%
PAT growth	65%	47%	17%
Market Cap growth	72%	62%	11%
5 Year Period	**TTK Prestige**	**Hawkins**	**Difference**
Revenue growth	26%	13%	13%
EBITDA growth	35%	14%	21%
PAT growth	38%	15%	23%
Market Cap growth	103%	65%	38%

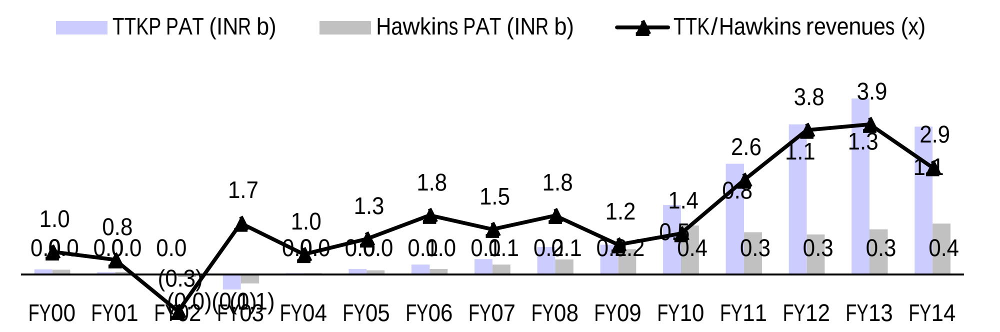
Source: Company, MOSL

Exhibit 26: TTKPT's revenues have expanded to 3x Hawkins



Source: Company, MOSL

Exhibit 27: TTKPT's PAT has expanded to 3x that of Hawkins



Source: Company, MOSL

Superior multi-product / multi-geography strategy-driven outperformance

We believe TTKPT's superior strategy of aggressive product launches and distribution is responsible for driving its outperformance over Hawkins. While TTKPT expanded its presence from outer-lid pressure cookers to inner-lid pressure cookers to tap the North and West India markets, Hawkins continued to focus on just the inner-lid market for pressure cookers.

Similarly, as TTKPT expanded into high growth appliances categories, Hawkins chose to ignore that market. Further, TTKPT identified the right industry trends like those relating to induction cooktops and carved a portfolio of induction-based cooktops and cookware, making it the market leader in the newly emerged induction market category. Also, while TTKPT expanded to North and West India, eating into Hawkins' stronghold, Hawkins chose to ignore TTKPT's stronghold – the South market.

While TTKPT has emerged as a pan-India player, with even revenues from South and non-South markets, Hawkins remains a North/West India player, with minimal revenue from South India. Further, unlike Hawkins, TTKPT has invested aggressively in marketing and supplemented its distribution with exclusive brand outlets (*PSK* stores). TTKPT has thus been continuously gaining market share over Hawkins.

Exhibit 28: While Hawkins continues to be focused on cookers and cookware...

Source: Company, MOSL

Exhibit 29: ...TTKPT has developed a strong and exhaustive product portfolio

Source: Company, MOSL

Capacity in place for next growth phase

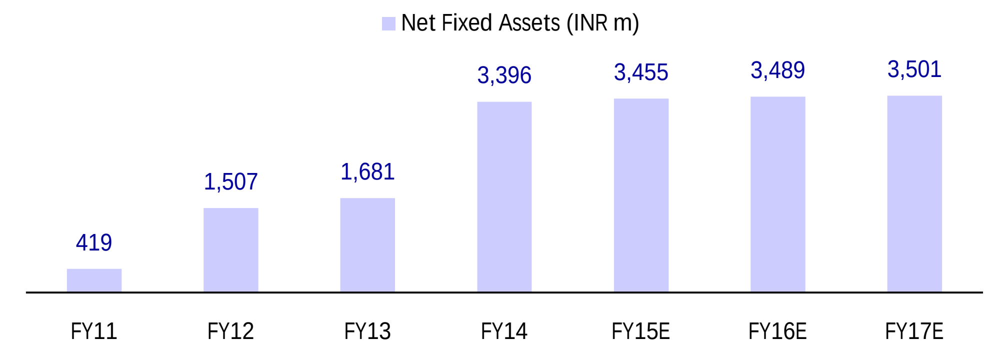
Commenced INR3b capex over FY11-14, with higher utilization potential

- **TTKPT has incurred a capex of INR3b over FY11-14, expanding its net block by 8x from INR419m to INR3,396m.**
- **It has ample room to improve capacity utilization (58% in pressure cookers and 42% in nonstick cookware). The management plans to ramp up utilization through exports.**
- **As capacity utilization improves, we expect better fixed cost absorption for the new plant, driving higher margins for TTKPT.**

Massive capacity expansion; sets right stage for growth

TTKPT posted strong 26% revenue CAGR over FY09-14, led by new product introductions in nonstick cookware and appliances. Most of the new introductions were through outsourcing to Chinese and local vendors. In FY12, over 50% of sales came from outsourced products and imports. This exposed TTKPT to currency fluctuations, difficult and long working capital cycles, and lower margins in some cases. To overcome these concerns, TTKPT has expanded its capacities across segments. It has incurred a capex of INR3b over FY11-14, expanding its net block by 8x from INR419m to INR3,396m. Pressure cooker capacity was increased by 2x from 4.8m pieces to 9.6m pieces, while nonstick cookware capacity was increased by 6x from 2m units to 12m units. TTKPT has expanded its manufacturing capacities at its Coimbatore (Tamil Nadu) and Roorkee (Uttarakhand) plants, while also commissioning its greenfield capacities in Gujarat.

Exhibit 30: Net fixed assets have grown ~8x over FY11-14



Source: Company, MOSL

Exhibit 31: Capacity expansions largely in pressure cookers and nonstick cookware

Product segment	Manufacturing capacity
Cookware	Capacity has been increased to 12m pieces/annum from 2m pieces/annum; to be manufactured indigenously
Pressure cooker	Manufacturing capacity expanded to 9.6m pieces per annum from 4.8m pieces; to be manufactured in-house
Induction-based products	Mix of in-house manufacturing and imports. Current capacity stands at 1m pieces per annum
Others	Water purifier production plant in Gujarat

Source: Company, MOSL

Higher manufactured proportion to drive utilization higher

With expansion and consequent higher utilization, revenue from own manufacturing improved from 48% in FY13 to 57% in FY14. However, there remains ample room to improve capacity utilization (which stood at 58% in pressure cookers and 42% in nonstick cookware in FY14). The management plans to improve utilization by substitution of outsourcing with own manufacturing for domestic business and developing an export business.

Successfully tapping of export markets can step up utilization significantly

TTKPT is in advanced talks with European OEMs to manufacture products for them under a white-labeling arrangement at margins similar to domestic margins. Our interaction with management suggests that TTKPT is at an advanced stage of negotiation with foreign OEMs and has been working on trial orders for them. Thus, we expect export segment to meaningfully contribute from FY16.

Exhibit 32: Ample room to improve utilization

Pieces (m)	FY11	FY14	Expansion (x)	FY14 Sales	Utilization (%)
Pressure Cookers	4.8	9.6	2.0	5.5	58%
Non Stick Cookware	2.0	12.0	6.0	5.0	42%

Source: Company, MOSL

Exhibit 33: Manufactured proportion vs outsourcing proportion

Manufactured proportion (%)	FY13	FY14	Revenue proportion (%)	Capacity utilization (%)
Pressure Cookers	100%	100%	38%	58%
Non Stick Cookware	33%	74%	17%	42%
Gas Stove	2%	0%	13%	NA
Kitchen Electrical Appliances	16%	23%	30%	NA
Others	0%	0%	3%	NA
Grand Total	48%	57%	100%	NA

Source: Company, MOSL

Will continue to follow outsourcing model for appliances

TTKPT sources its gas stoves and kitchen electrical appliances from third parties and would continue to do so to maintain its focus on manufacturing of pressure cookers and cookware. While gas stoves are being sourced from dedicated small and medium scale enterprises in North India under TTKPT's strict supervision, 60% of its kitchen electrical appliances requirement is being sourced from China (20% cheaper than in-house manufacturing). This strategy would enable TTKPT to grow faster without investing too much in building capacities.

Improvement in capacity utilization to drive margins higher

With expansion in capacity, TTKPT's dependence on imports/outsourced manufacturing, particularly for pressure cookers and cookware, is likely to reduce. This should boost margins for those product categories and insulate TTKPT from foreign exchange volatility. As the capacities are currently underutilized (58% capacity utilization in pressure cookers and 42% in nonstick cookware) there are significant under-absorbed fixed costs, dragging margins lower for these segments. As capacity utilization improves, we expect margins for these segments to expand, thus improving overall EBITDA margins for the company.

E-commerce impact / induction de-growth behind

Expect growth to recover

- **Predatory pricing by e-commerce players had caused channel conflicts for TTKPT, leading to inventory correction by traditional retailers. To correct this, TTKPT plans to directly tie up with e-commerce players and to maintain price discipline on their sites.**
- **Growth in the induction range was impacted in the last two years due to change in government policies on gas cylinders and power supply issues in South India. With significant de-growth in induction, we believe the base is now favorable for growth.**

Penetration of e-commerce impacted traditional retail business

With higher e-commerce penetration in India, and given the predatory trade practices followed by some leading e-commerce players, sales for TTKPT's traditional retail channel have been impacted. The traditional retail channel contributes ~65% of TTKPT's revenue. Lower prices on the e-commerce channel set a deflationary trend for distributor inventories. This led distributors to cut back on channel inventories from the normal practice of holding two months of inventory to holding as low as 15 days of inventory. This inventory correction in TTKPT's largest channel has impacted sales growth for the company over the last one year. Though TTKPT does not sell directly to e-commerce firms, e-commerce firms procure products from TTKPT's distributors, by-passing the company.

Management plans to directly tie up with e-commerce companies

In our interactions, the management has indicated that a number of e-commerce firms have approached TTKPT for direct tie-ups to sell its products on their platforms. TTKPT intends to manage its own page on e-commerce platforms and ensure no predatory pricing. It is likely to take another six months to one year to make complete transition to this new arrangement with e-commerce firms, post which it can avoid channel conflicts faced in the past.

Sales of induction-based products impacted by higher cap on LPG cylinders

TTKPT introduced induction-based appliances such as cooktops, cookers and cookware in FY09. The contribution of this product segment to overall revenue jumped to 42% in FY13 from 17% in FY09, with induction cooktops accounting for the largest share (40-45%) in the segment. However, the sale of induction cooktops and other bundled products (cookers and cookware) declined in FY14 owing to: (1) severe power shortages in Tamil Nadu and Kerala, (2) relaxation of the cap on subsidized LPG cylinders to twelve from six previously, and (3) excess channel inventory due to a number of players entering the induction-based appliances market. With significant de-growth over last two years, contribution from induction-based products has declined to ~20% of revenue as against the peak of 42% in FY13. However, TTKPT has outperformed industry peers and gained market share in this category. We believe the base is now highly favorable, and any improvement in consumer sentiment will propel growth in FY16.

Power shortage had impacted growth in South India

After acute shortages in FY13 and FY14, power supply is likely to improve in South India after the connection of the southern electricity grids with the northern electricity grids. Power shortage impacted TTKPT on both the demand and supply sides. It disrupted manufacturing in TTKPT's facilities in Hosur and affected the sale of induction-based products. With power supply in southern states showing signs of improvement, we expect demand for induction-based products to pick up.

Earnings to post 41% CAGR over FY15-17

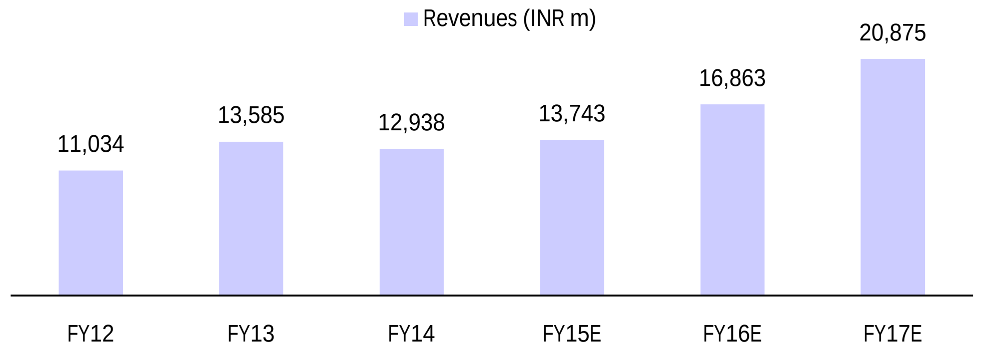
Drivers: Revival in discretionary demand, higher operating leverage

- **We expect revenue to grow at a CAGR of 23% over FY15-17, led by 31% CAGR in nonstick cookware business, 23% CAGR in pressure cooker business, and 17% CAGR in appliances business.**
- **With operating leverage, we expect EBITDA to post 35% CAGR and PAT to post 41% CAGR over FY15-17. Led by better asset utilization, we expect return ratios to improve. For FY17, we estimate RoCE at 34% and RoE at 24%.**
- **We expect operating cash flow to remain strong. Given minimal reinvestment needs, annual free cash flow should improve to INR1.7b over FY15-17.**
- **Despite strong payout (28%), we expect cash on books to rise from INR0.7b in FY15 to INR2.6b in FY17, approximating 7% of the current market capitalization.**

Expect revenue CAGR of 23% over FY15-17

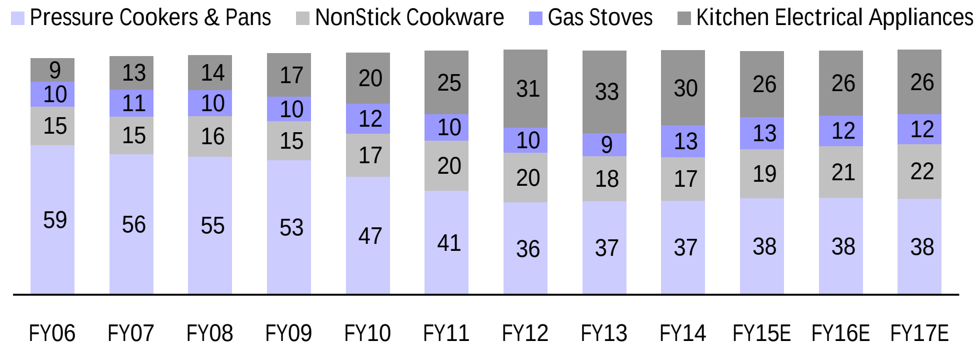
We expect revenue to grow at a CAGR of 23% over FY15-17, led by 31% CAGR in nonstick cookware business, 23% CAGR in pressure cooker business, and 17% CAGR in appliances business. Revenue mix within segments is likely to be stable.

Exhibit 34: Revenue to post 23% CAGR over FY15-17



Source: Company, MOSL

Exhibit 35: Revenue mix to remain largely stable

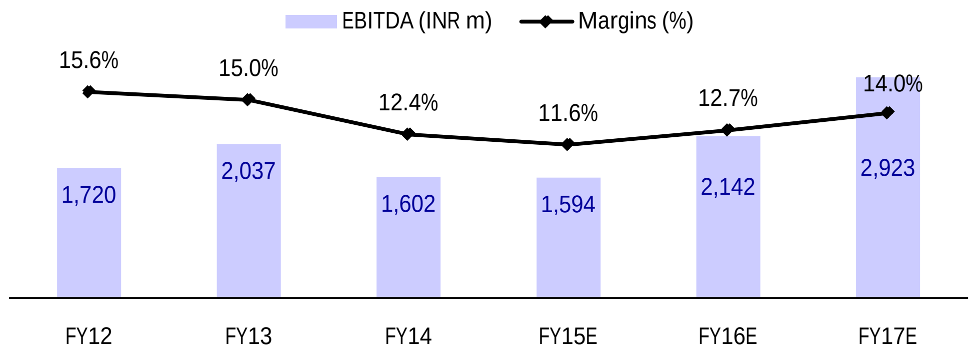


Source: Company, MOSL

EBITDA to post 35% CAGR over FY15-17

We expect EBITDA to post 35% CAGR over FY15-17. Margins should expand 240bp to 14%, driven by higher contribution from in-house manufacturing and operating leverage benefits due to higher sales growth.

Exhibit 36: EBITDA to clock 35% CAGR over FY15-17

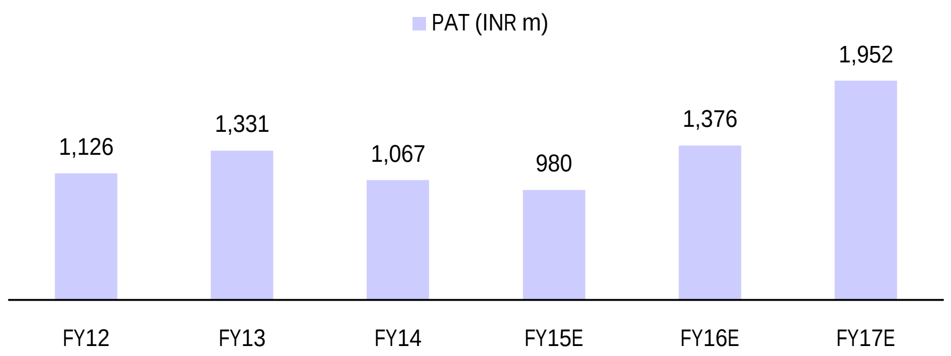


Source: Company, MOSL

PAT to post 41% CAGR over FY15-17

We expect PAT to grow at a CAGR of 41% over FY15-17 from INR1b to INR1.9b.

Exhibit 37: PAT (INR m)

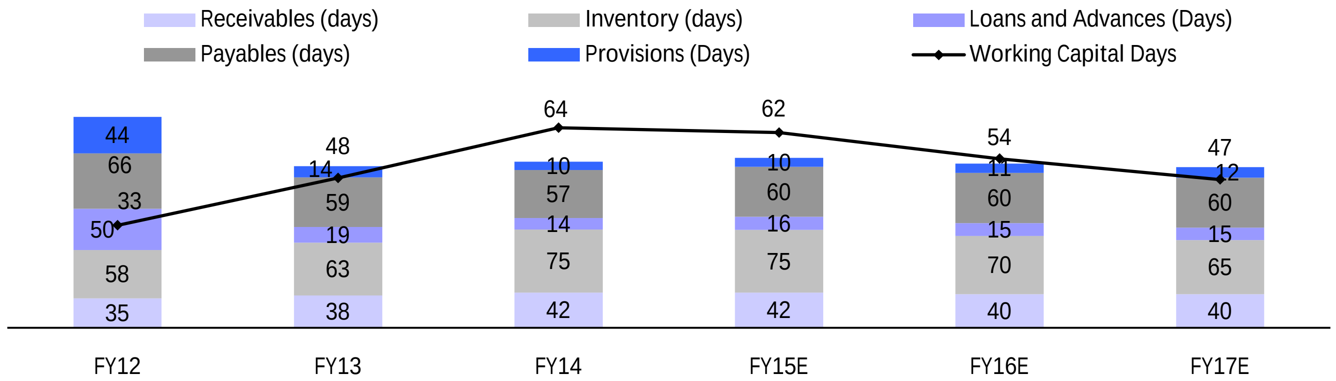


Source: MOSL

Working capital cycle to improve

We expect working capital days to improve from 62 days to 47 days, led by lower inventory days, which should decline from 75 days to 65 days.

Exhibit 38: Cash conversion cycle (days)

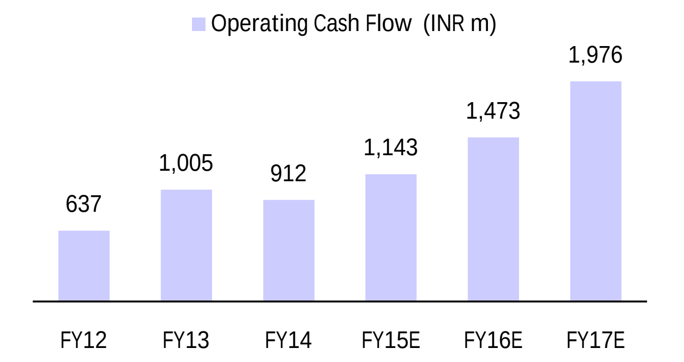


Source: MOSL

Operating cash flows to remain strong; free cash flow robust

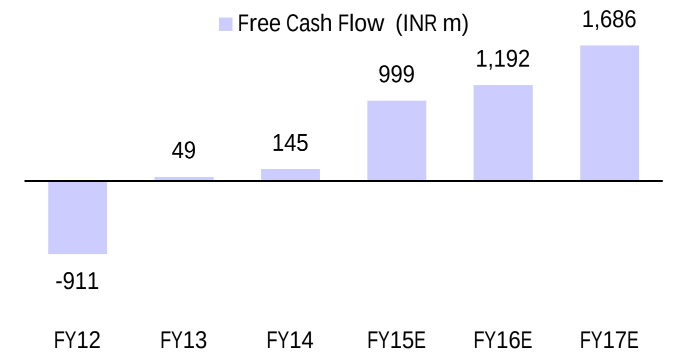
We expect operating cash flow to remain strong. Given minimal reinvestment needs, annual free cash flow should improve to INR1.7b over FY15-17. Capex during the period would only be minimal at INR250m per annum.

Exhibit 39: Operating cash flow to remain strong



Source: Company, MOSL

Exhibit 40: Robust free cash generation

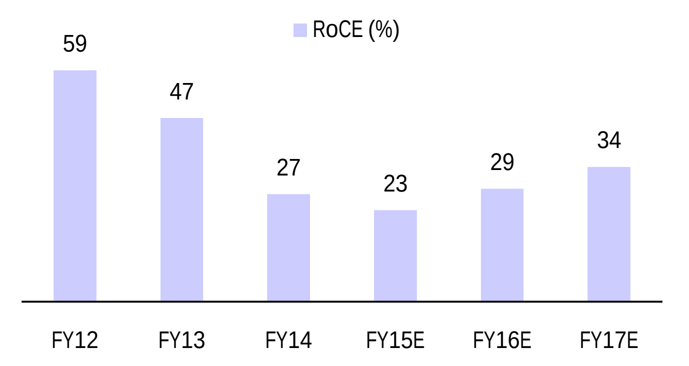


Source: Company, MOSL

Return ratios to improve

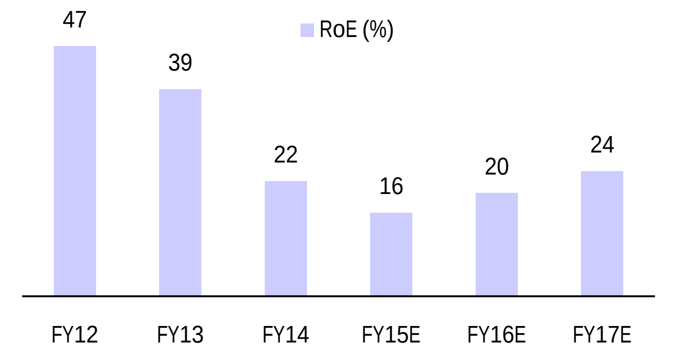
Led by better asset utilization, we expect return ratios to improve. For FY17, we estimate RoCE at 34% and RoE at 24%.

Exhibit 41: RoCE (%)



Source: Company, MOSL

Exhibit 42: RoE (%)

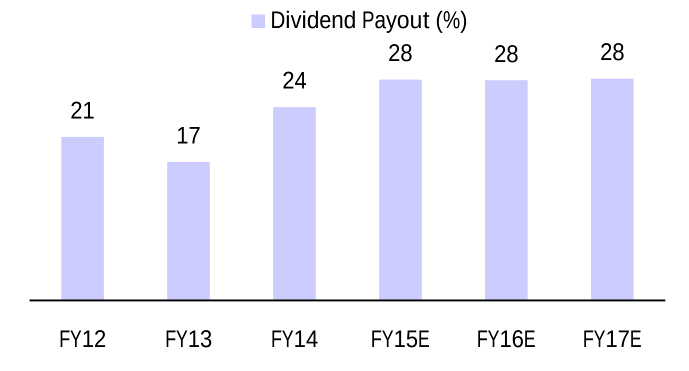


Source: Company, MOSL

Dividend payout at 28%; strong cash accretion on books

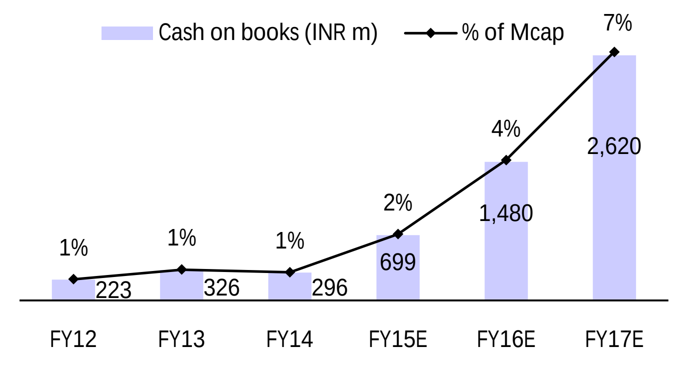
We expect TTKPT to maintain its strong dividend track record, with ~28% payout. Despite strong payout, we expect cash on books to rise from INR0.7b in FY15 to INR2.6b in FY17, approximating 7% of the current market capitalization.

Exhibit 43: Dividend payout (%)



Source: Company, MOSL

Exhibit 44: Cash on books (%)



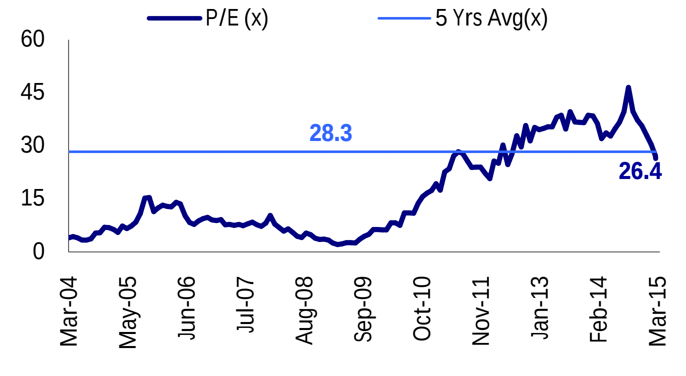
Source: Company, MOSL

Initiating coverage with a Buy rating

Target price of INR5,000 implies 37% upside

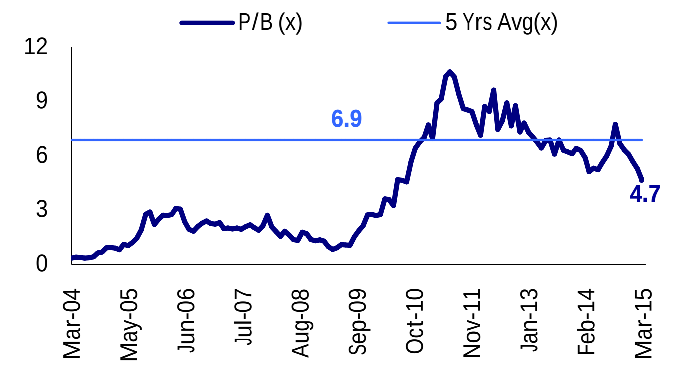
- **We believe the de-growth phase is behind for TTKPT, with discretionary spends revival and ramp-up of export opportunity, TTK will post 23% Revenue CAGR over FY15-17.**
- **We expect higher capacity utilization to drive significant operating leverage for TTKPT with margins expanding 240bp over FY15-17, driving 41% PAT CAGR.**
- **The stock trades at 30.8x and 21.7x FY16/17 EPS. We initiate coverage with a Buy rating valuing the stock at 30x FY17 EPS, with PT of INR5,000.**

Exhibit 45: P/E (x)



Source: Company, MOSL

Exhibit 46: P/B (x)



Source: Company, MOSL

Exhibit 47: Assumptions

Assumptions	FY12	FY13	FY14	FY15E	FY16E	FY17E
Pressure Cookers & Pans	4,132	5,106	4,940	5,343	6,563	8,063
NonStick Cookware	2,247	2,449	2,270	2,696	3,519	4,594
Gas Stoves	1,108	1,279	1,669	1,802	2,073	2,487
Kitchen Electrical Appliances	3,494	4,490	3,907	3,633	4,416	5,419
Total Revenues (INR m)	**11,034**	**13,585**	**12,938**	**13,743**	**16,863**	**20,875**
Pressure Cookers & Pans	30%	24%	-3%	8%	23%	23%
NonStick Cookware	46%	9%	-7%	19%	31%	31%
Gas Stoves	37%	15%	30%	8%	15%	20%
Kitchen Electrical Appliances	81%	28%	-13%	-7%	22%	23%
Total Revenue Growth (%)	**45%**	**23%**	**-5%**	**6%**	**23%**	**24%**
Pressure Cookers & Pans	37%	38%	38%	39%	39%	39%
NonStick Cookware	20%	18%	18%	20%	21%	22%
Gas Stoves	10%	9%	13%	13%	12%	12%
Kitchen Electrical Appliances	32%	33%	30%	26%	26%	26%
Total Revenue Mix (%)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company, MOSL

Risks and concerns

Threat from predatory trade practices by e-commerce firms: TTKPT has been impacted by predatory trade practices adopted by e-commerce firms which has resulted in inventory de-stocking by its traditional retailing channels. Management plans to directly tie-up with e-commerce firms to ensure parity in online and offline prices and thus avoid channel conflicts. However, any delay in forging these agreements with e-commerce firms can impact near term growth for TTKPT.

Volatility in raw material prices: TTKPT's primary raw materials are aluminum and steel – commodities whose prices are linked to global commodity prices. Although the company has been able to pass on the increase in raw material prices to consumers in the past owing to a strong brand, any failure to do so in the future can adversely impact operating margins.

Foreign exchange movement: TTKPT imports raw materials and traded products which exposes it to foreign exchange volatility risk. Sharp INR depreciation coupled with the company's inability to pass on any increase in the cost of imports to consumers may negatively impact margins in the near term.

Management

Mr TT Jagannathan, Chairman

Mr Jagannathan serves as Chairman of TTK Prestige. He is a gold medalist from IIT Chennai and Masters in Operations Research from Cornell University, US. He has been on the board for more than 35 years now. He has two sons who are also involved in managing group companies.

Mr TT Raghunathan, Vice Chairman

Mr Raghunathan serves as Executive Chairman of TTK Prestige. He is a Commerce graduate. He has been on the board since 1995, has vast industrial experience and has been actively involved in the management of various group companies.

Mr S Ravichandran, Managing Director

Mr Ravichandran serves as Managing Director and Executive Director of TTK Prestige and has been on the board for over 10 years. He has degree in Mechanical Engineering from IIT Chennai and is an IIM Ahmedabad graduate.

Mr Ajay Thakore, Non-Executive Director

Mr Thakore serves as Non-Executive Independent Director of TTK Prestige. He is a Chartered Accountant, and practices as an Advocate and Tax Consultant. He has been on the board since 1974.

Mr R Srinivasan, Non-Executive Independent Director

Mr Srinivasan is BE (Hons) by qualification. He has vast industrial experience and is a Management Consultant. He has been on the board of TTK Prestige since 2000. He is also on the boards of Cholamandalam MS General Insurance, Kirloskar Oil Engines, and Sundaram Fasteners.

Mr K Shankaran, Director and Whole-Time Secretary

Mr Shankaran is a Cost & Management Accountant and Company Secretary, and has been Whole-Time Secretary of the company since 1990. He was inducted into the board in 1993. He is also on the boards of TTK Healthcare, Prestige Housewares, TTK Healthcare TPA, TTK Services, and Manttra Inc, US.

Industry overview

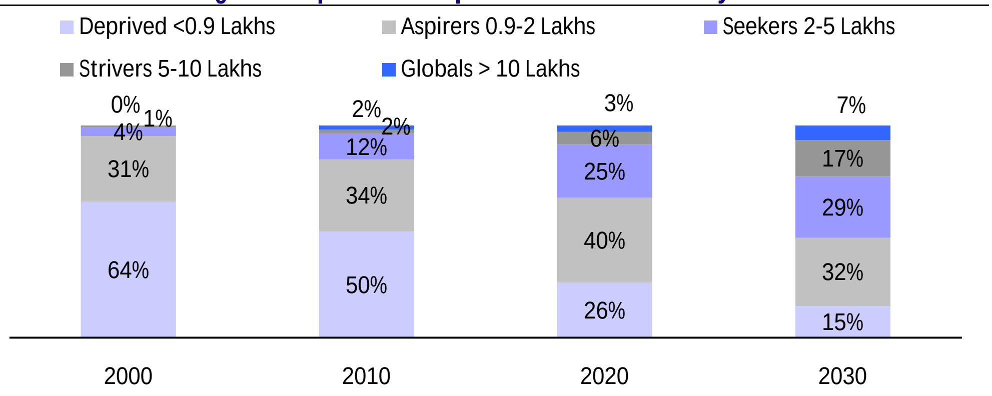
Demographics changes, rising incomes to create demand for appliances

The home appliances market in India will see a significant growth due to lower penetration, increasing incomes, and growing urbanization. Also the need for comfort and convenience in urban households as both partners work and thus the perception of appliances will change from luxury to necessity which will lead to a rapid growth for the home appliance market.

Another major growth driver of appliance market will be the growing middle class in India. According to a McKinsey Global Institute (MGI) 2010 report, India's fast growing cities will drive a near fourfold increase in the country's per capita income between 2008 and 2030. Also, the number of middle class households (earning between INR2 lakh and INR10 lakh a year) will increase more than fourfold nationwide from 32 million to 147 million in 2030. With the rising disposable income (per capita disposable income of the urban segment is expected to grow at a CAGR of 6.4% between 2008 and 2030), consumer's discretionary expenditure is also likely to increase significantly. Going forward, rising disposable income would provide more room for expenditure in discretionary items. According to PwC-Ficci, the discretionary spend as a proportion of total spend is expected to improve by ~10% by the end of 2019-20.

We believe the demand for appliances will be driven by rising disposable incomes.

Exhibit 48: Consuming class expected to expand from 50% currently to 85% over FY10-30

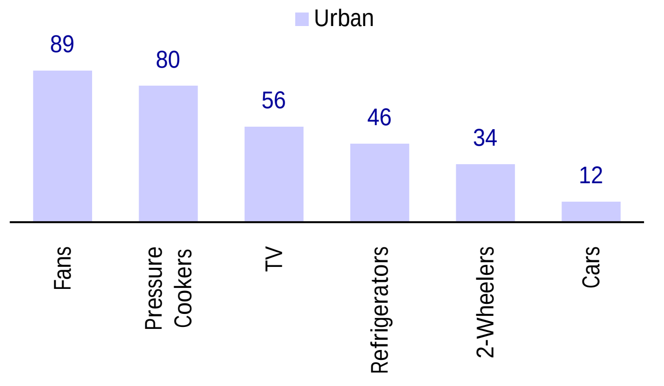


Source: Company, MOSL

Small appliances set to grow at 15-18% annually

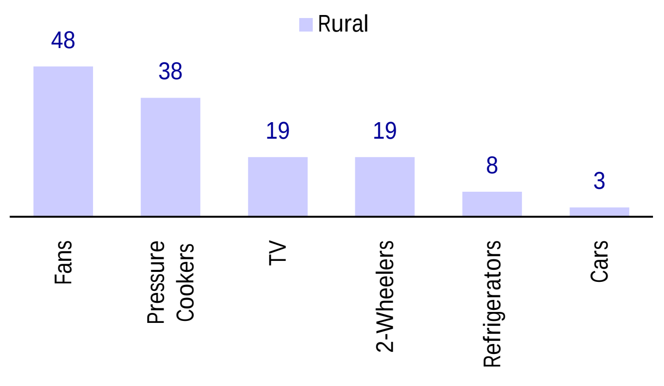
ASSOCHAM expects Indian consumer durable industry to grow to Rs 520bn (USD 8.40bn) by CY2015. The overall small appliances market is estimated at USD 1.2 billion, growing 15-18% a year. The premium segment is expected to grow at 30% p.a. Penetration levels for consumer goods across categories remains low.

Exhibit 49: Consumer goods penetration levels (%)



Source: Industry, MOSL

Exhibit 50: Consumer goods penetration levels (%)

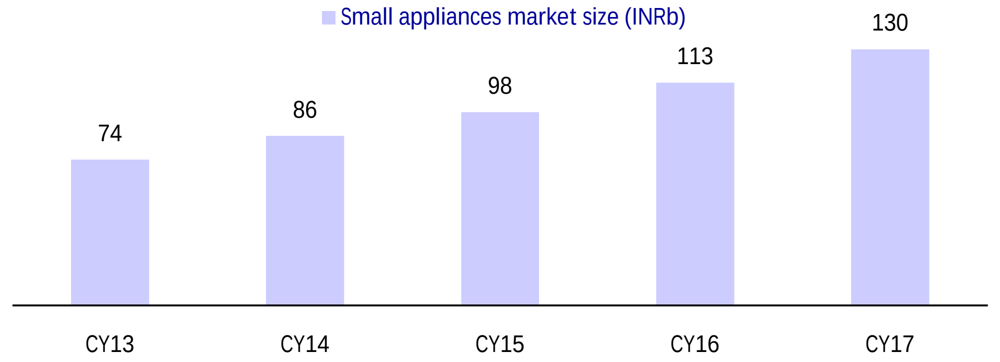


Source: Industry, MOSL

Key factors which will lead to double digit growth in small appliances market include:

- Rise in number of nuclear families with reduction in average household size (Avg. household size has reduced from 5.6 in 1991 to 4.9 currently).
- Rise in per capita income of middle class Indian households will lead to consumer upgrading to branded products.
- Higher growth (25-30% pa) in under penetrated rural market will help drive overall growth momentum.
- Increasing affordability and improving educational level will lead to reducing replacement cycle to 2-3 years for small appliances.

Exhibit 51: Small Industry market size (INR b)

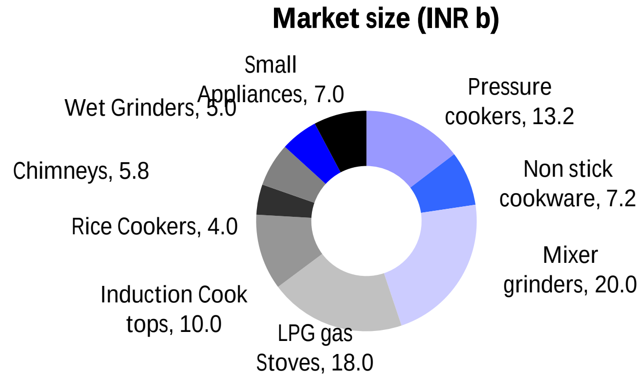


Source: Industry, MOSL

Kitchen and Appliances industry

The total kitchen and appliances market is ~INR90b. TTK's market share stands at 15%, while other prominent players include Bajaj, Philips, Hawkins, etc.

Exhibit 52: TTKPT caters to an opportunity size of INR90b



Source: Company, MOSL

Pressure Cooker industry

Over the years, the Indian kitchen appliances industry has experienced a rapid shift in preference from unorganized to organized and branded players. Rising disposable income, increasing urbanization and a shift from traditional joint families to nuclear families have led to a strong industry growth.

- Market size of the domestic cooker industry stands at INR13b in value terms.
- In the overall market, organized segment accounts for 50%. Key players in organized market include TTK, Hawkins, United, Pigeon, Butterfly, etc.
- TTK enjoys a leadership position in Southern India, where it has 80% market share. It has also notched up > 15% market share in the Northern market.
- The penetration of cookers in urban / rural India stands at 85% and 25% resp.
- Outer-lid cookers dominate market share in Southern and Western India, even as inner-lid cookers are preferred in Northern and Eastern India.
- In terms of pricing, the unorganized segment sells outer-lid cooker 20% cheaper to organized players and inner-lid at 50%.

Cookware and appliances industry

- The organized cookware industry has a market size of INR7b in value terms.
- The market is split equally between organized and unorganized players. Here, TTK has a 30% market share in the organized space, with Hawkins enjoying 10%.
- TTK also enjoys a leadership position in Southern India, with 80% market share, besides its 30% market share in Northern India. The market is fragmented with other players like Nirlep, Butterfly, Pigeon etc.
- The penetration of non-stick cookware in urban India stands at ~55% and in rural areas at ~5%.
- The unorganized market sells products 20% cheaper than organized players.

Company overview

TTK is the flagship company of the TT Krishnamachari Group of companies which has a presence in businesses like consumer durables, pharmaceuticals, healthcare and biomedical devices. TTK Prestige Ltd was set up in 1955 as a private limited company before it went public in 2000. The company through its brand 'Prestige' is among the leading brands in the kitchen appliances space in India, especially in pressure cookers and non-stick cookwares. It has four manufacturing facilities at Hosur, Coimbatore (in Tamil Nadu) Roorkee (in Uttarakhand) and Gujarat.

Exhibit 53: TTK group

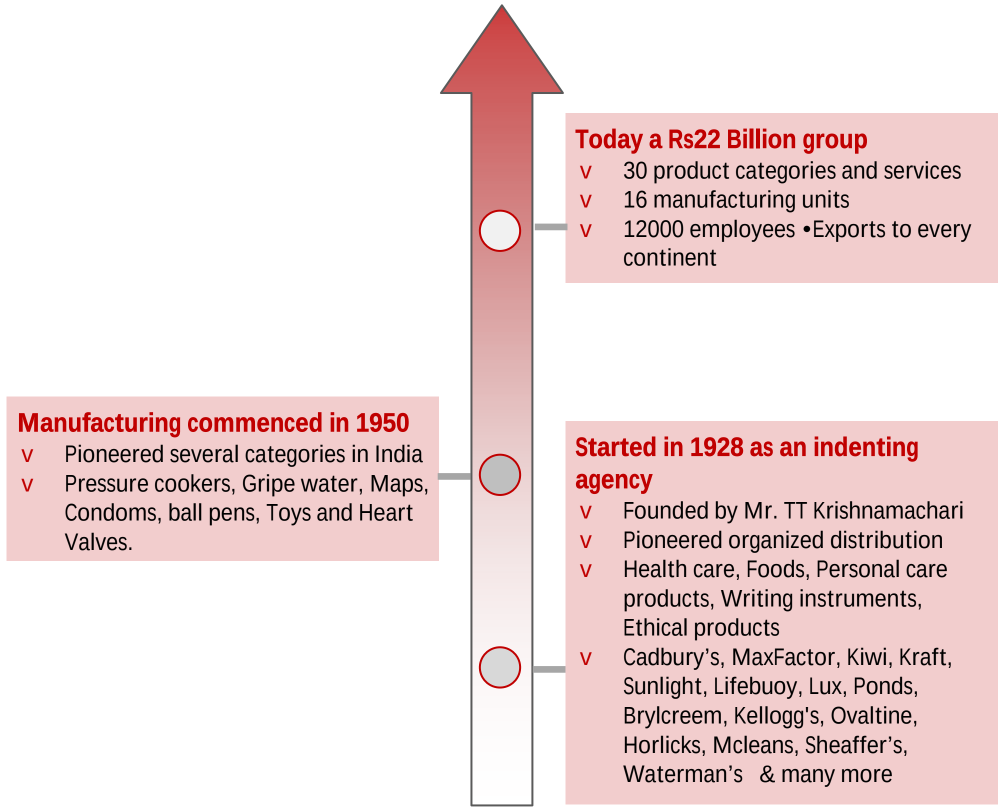


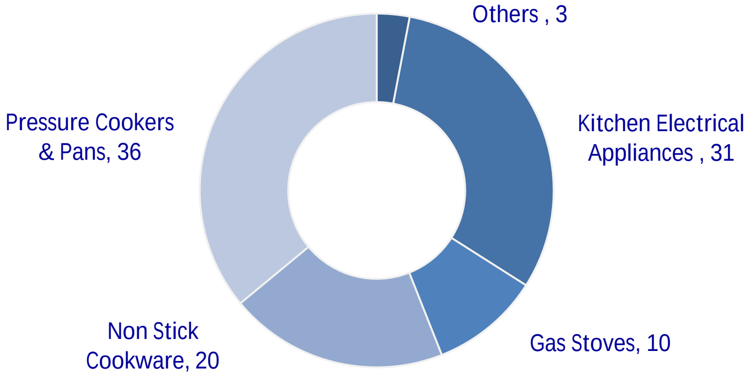
Exhibit 54: Diversified group structure

Source: Company, MOSL

TTK Prestige commenced operations as a traditional pressure cooker manufacturer, selling outer-lid aluminum pressure cookers, manufactured at facilities being only in Bangalore and Hosur. It has since evolved into a 'Total Kitchen Solutions' company offering a wide range of products spanning pressure cookers, non-stick cookware, kitchen hoods (chimneys), hobs, gas stoves and several other electrical appliances. Recently, TTK also forayed into modular kitchens wherein the company offers kitchen designs and fittings based on customer requirements. Company has been at the forefront by introducing several innovations like Gasket Release System (GRS), Gasket Offset Device (GOD) and Double Locking System, all firsts in India. Its strategy of introducing 100 new models across product lines every year has helped achieve volume growth and garner higher market share. TTK has been awarded the "Super Brand" validated by consumers.

Pressure cookers continue to be the major contributor to revenue, with 41% of sales coming from this segment and 20% of the revenue from non-stick cookware, 25% from kitchen electric appliances, 10% from gas stoves and the balance from other products.

Exhibit 55: Segment wise revenue mix



Source: Company, MOSL

Exhibit 56: Key milestones

Year	Key Milestones
1955	Incorporated as a private limited company
1959	Commenced manufacturing of pressure cookers with technical collaboration from Prestige Group (UK)
1984	Launched Prestige pressure pan
1990	Launched ready-to-eat snacks, Fryums, in India
1994	Came out with an IPO
1994	Changed name from TT Ltd to TTK Prestige Ltd
1995	Launched its products under the brand name Manttra in the US market
1998	Entered the UK and Australian markets
2000	Launched Prestige omega non-stick cookware
2001	Launched a new range of vacuum flasks with imported shells
2003	Recast its debt portfolio by converting the majority of its borrowing into ECBs and FCNRB loans aggregating to USD9.5m
2004	Inaugurated an exclusive TTK Prestige showroom in Vijayawada
2005	Obtained licence for Prestige brand for the use in the US; launched Prestige Nakshatra (inner lid), pressure Handi, pressure kadai, duplex gas tables
2008	Introduced a new range of induction cook tops
2009	Launched Prestige Apple range of inner-lid cookers, Prestige Micro Chef microwave cookers, inducted compatible base cookware
2010	Voted as India’s most trusted kitchen appliance brand by the Brand Equity survey of India’s most trusted brands 2010
2011	Envisaged capacity expansion of 3,000m
2012	Entered into business tie-ups with World Kitchen, Vastergaard Frandenson, Meyer and Schott AG
2013-14	Expanded the pressure cooker capacity from 4.8m units to 9.6m units and cookware capacity from 2m units to 12m units.

Source: Company, MOSL

Financials and valuations

Standalone - Income Statement (INR Million)

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Gross Revenues	5,168	7,756	11,227	13,859	13,234	13,966	17,137	21,214
Less: Excise Duty	89	120	193	274	295	223	274	339
Net Sales	**5,079**	**7,636**	**11,034**	**13,585**	**12,938**	**13,743**	**16,863**	**20,875**
Change (%)	26.6	50.3	44.5	23.1	-4.8	6.2	22.7	23.8
Total Expenditure	4,306	6,419	9,314	11,548	11,336	12,149	14,721	17,953
% of Sales	84.8	84.1	84.4	85.0	87.6	88.4	87.3	86.0
EBITDA	**774**	**1,217**	**1,720**	**2,037**	**1,602**	**1,594**	**2,142**	**2,923**
Margin (%)	15.2	15.9	15.6	15.0	12.4	11.6	12.7	14.0
Depreciation	36	43	62	90	148	191	216	237
EBIT	**738**	**1,174**	**1,658**	**1,947**	**1,455**	**1,403**	**1,926**	**2,685**
Int. and Finance Charges	35	8	64	143	85	54	30	0
Other Income - Rec.	11	43	31	47	79	71	99	144
PBT bef. EO Exp.	**714**	**1,210**	**1,625**	**1,852**	**1,448**	**1,420**	**1,995**	**2,829**
EO Expense/(Income)	-40	6	0	0	-70	0	0	0
PBT after EO Exp.	**754**	**1,204**	**1,625**	**1,852**	**1,518**	**1,420**	**1,995**	**2,829**
Current Tax	230	365	463	488	295	440	618	877
Deferred Tax	0	1	36	33	104	0	0	0
Tax Rate (%)	30.5	30.4	30.7	28.1	26.3	31.0	31.0	31.0
Reported PAT	**524**	**838**	**1,126**	**1,331**	**1,118**	**980**	**1,376**	**1,952**
PAT Adj for EO items	**497**	**842**	**1,126**	**1,331**	**1,067**	**980**	**1,376**	**1,952**

Standalone - Balance Sheet (INR Million)

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Equity Share Capital	113	113	113	114	117	117	117	117
Total Reserves	1,128	1,801	2,738	3,841	5,737	6,444	7,438	8,845
Net Worth	**1,242**	**1,915**	**2,851**	**3,955**	**5,853**	**6,560**	**7,555**	**8,961**
Minority Interest	0	0	0	0	0	0	0	0
Deferred Liabilities	31	33	68	101	205	205	205	205
Total Loans	255	382	597	1,145	269	0	0	0
Capital Employed	**1,528**	**2,329**	**3,516**	**5,201**	**6,327**	**6,765**	**7,760**	**9,167**
Gross Block	835	892	2,029	2,262	4,125	4,375	4,625	4,875
Less: Accum. Deprn.	430	473	522	581	729	920	1,136	1,373
Net Fixed Assets	**405**	**419**	**1,507**	**1,681**	**3,396**	**3,455**	**3,489**	**3,501**
Capital WIP	235	495	794	1,401	243	137	169	209
Total Investments	**4**	**226**	**4**	**0**	**90**	**90**	**90**	**90**
Curr. Assets, Loans&Adv.	**2,081**	**3,115**	**4,532**	**4,825**	**4,988**	**5,732**	**7,303**	**9,502**
Inventory	613	1,050	1,749	2,355	2,668	2,824	3,234	3,717
Account Receivables	603	747	1,060	1,432	1,491	1,581	1,848	2,288
Cash and Bank Balance	440	535	223	326	296	699	1,480	2,620
Loans and Advances	426	782	1,499	712	533	628	741	876
Curr. Liability & Prov.	**1,197**	**1,925**	**3,320**	**2,706**	**2,391**	**2,649**	**3,290**	**4,136**
Account Payables	676	1,063	1,995	2,202	2,036	2,259	2,772	3,432
Provisions	522	862	1,325	504	354	390	518	704
Net Current Assets	**884**	**1,189**	**1,212**	**2,119**	**2,598**	**3,083**	**4,012**	**5,366**
Appl. of Funds	**1,528**	**2,329**	**3,516**	**5,201**	**6,327**	**6,765**	**7,760**	**9,167**

Financials and valuations

Ratios

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Basic (INR) *								
EPS	**43.8**	**74.3**	**99.4**	**117.2**	**91.5**	**84.1**	**118.1**	**167.5**
Cash EPS	47.0	78.0	104.9	125.1	104.2	100.5	136.6	187.9
BV/Share	109.6	168.9	251.6	348.3	502.2	562.9	648.2	768.9
DPS	10.0	12.5	17.5	17.5	20.6	20.6	28.8	41.1
Payout (%)	25.2	19.6	20.6	17.5	24.4	27.8	27.7	27.9
Valuation (x) *								
P/E					39.8	43.3	30.8	21.7
Cash P/E					34.9	36.2	26.6	19.4
P/BV					7.2	6.5	5.6	4.7
EV/Sales					3.3	3.1	2.5	1.9
EV/EBITDA					26.8	26.6	19.4	13.8
Dividend Yield (%)					0.6	0.6	0.8	1.1
Return Ratios (%)								
RoE	47.6	53.3	47.3	39.1	21.8	15.8	19.5	23.6
RoCE	54.8	64.2	58.8	46.7	27.3	23.2	28.7	34.3
Working Capital Ratios								
Asset Turnover (x)	3.3	3.3	3.1	2.6	2.0	2.0	2.2	2.3
Inventory (Days)	44.0	50.2	57.9	63.3	75.3	75.0	70.0	65.0
Debtor (Days)	43	35	34	38	41	41	39	39
Leverage Ratio (x)								
Current Ratio	1.7	1.6	1.4	1.8	2.1	2.2	2.2	2.3
Debt/Equity	0.2	0.2	0.2	0.3	0.0	0.0	0.0	0.0

Standalone - Cash Flow Statement (INR Million)

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Net P/L Before Tax & EO Items	714	1,204	1,632	1,852	1,518	1,420	1,995	2,829
Depreciation	36	44	64	90	148	191	216	237
Interest & Finance Charges	11	8	56	147	85	54	30	0
Direct Taxes Paid	231	351	468	324	471	440	618	877
(Inc)/Dec in WC	97	-123	-647	-760	-367	-82	-149	-213
(inc)/dec in FA	-40	-318	-1,523	-924	-705	-144	-281	-290
(Pur)/Sale of Investments	0	-222	222	0	-90	0	0	0
Others	11	37	24	32	62	0	0	0
CF from Investments	**-29**	**-502**	**-1,277**	**-891**	**-733**	**-144**	**-281**	**-290**
Issue of Shares	0	0	0	0	1,053	0	0	0
(Inc)/Dec in Debt	-179	0	575	365	-881	-269	0	0
Interest Paid	-12	-13	-57	-148	-86	-54	-30	0
Dividend Paid	-66	-132	-164	-197	-232	-273	-382	-545
Others	0	0	0	0	0	0	0	0
CF from Fin. Activity	**-257**	**-145**	**353**	**19**	**-147**	**-596**	**-412**	**-545**
Inc/Dec of Cash	**331**	**96**	**-312**	**100**	**-30**	**403**	**780**	**1,141**
Add: Beginning Balance	109	440	535	223	326	296	699	1,480
Closing Balance	**440**	**535**	**223**	**323**	**296**	**699**	**1,480**	**2,620**

NOTES

Disclosures

This document has been prepared by Motilal Oswal Securities Limited (hereinafter referred to as Most) to provide information about the company(ies) and/sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies). This report is for personal information of the selected recipient/s and does not construe to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOSt) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur.

MOSt and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We and our affiliates have investment banking and other business relationships with a some companies covered by our Research Department. Our research professionals may provide input into our investment banking and other business selection processes. Investors should assume that MOSt and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may educate investors on investments in such business. The research professionals responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting information. Our research professionals are paid on the profitability of MOSt which may include earnings from investment banking and other business.

MOSt generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, MOSt generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing among other things, may give rise to real or potential conflicts of interest. MOSt and its affiliated company(ies), their directors and employees and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the affiliates of MOSt even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report
Reports based on technical and derivative analysis center on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. In addition MOST has different business segments / Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc, and therefore may at times have different contrary views on stocks sectors and markets.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOSt or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSt or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSt or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The information contained herein is based on publicly available data or other sources believed to be reliable. Any statements contained in this report attributed to a third party represent MOSt's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. This Report is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. While we would endeavor to update the information herein on reasonable basis, MOSt and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOSt and/or its affiliates from doing so. MOSt or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOSt or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

Most and it's associates may have managed or co-managed public offering of securities, may have received compensation for investment banking or merchant banking or brokerage services, may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.
Most and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
Subject Company may have been a client of Most or its associates during twelve months preceding the date of distribution of the research report

MOSt and/or its affiliates and/or employees may have interests/positions, financial or otherwise of over 1 % at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report. To enhance transparency, MOSt has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Motilal Oswal Securities Limited is under the process of seeking registration under SEBI (Research Analyst) Regulations, 2014.

There are no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOSt research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement	TTK PRESTIGE
§ Analyst ownership of the stock	No
§ Served as an officer, director or employee	No

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSt & its group companies to registration or licensing requirements within such jurisdictions.

For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons.

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

Motilal Oswal Capital Markets Singapore Pte Limited is acting as an exempt financial advisor under section 23(1)(f) of the Financial Advisers Act(FAA) read with regulation 17(1)(d) of the Financial Advisors Regulations and is a subsidiary of Motilal Oswal Securities Limited in India. This research is distributed in Singapore by Motilal Oswal Capital Markets Singapore Pte Limited and it is only directed in Singapore to accredited investors, as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time.
In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:

Anosh Koppikar
Email : anosh.Koppikar@motilaloswal.com
Contact : (+65)68189232
Office Address : 21 (Suite 31),16 Collyer Quay,Singapore 04931

Kadambari Balachandran
Email : kadambari.balachandran@motilaloswal.com
Contact : (+65) 68189233 / 65249115

Motilal Oswal Securities Ltd
Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025
Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com