



“TTK Prestige Limited
2QFY2019 Post Results Analyst Conference Call”

October 24, 2018



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Moderator: Ladies and gentlemen, good day and welcome to the TTK Prestige Limited 2QFY2019 post results analyst conference call, hosted by Ambit Capital Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vihang Subramanian from Ambit Capital. Thank you and over to you Sir!

Vihang Subramanian: Good afternoon, ladies and gentlemen. I welcome you all to the call. Firstly, I would like to thank the management for taking out the time to address investor queries. From the senior management team of TTK Prestige, we have with us, Mr. Jagannathan, who is the Chairman; Mr. Chandru, the Managing Director; Mr. Shankaran, who is the Director of Corporate Affairs; and Mr. Sundaresan, who is the CFO.

With this, I would now like to hand over the call to the management for any opening remarks.

TT Jagannathan: Thank you. You must have all right now seen the numbers. We have had a very good quarter in spite of the fact that we lost substantial sales in Kerala compared to last year; last year there was restocking after GST. In spite of that, we have grown nicely 8%, and bottom-line nearly 30% other than that we had a very good quarter, and we hope to try to have similar quarters in the future. I wait for your questions now.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Sameer Shah from ValueQuest. Please go ahead.

Sameer Shah: Congratulations on good set of numbers. Sir my first question is on employee cost. For first half of the year, employee cost has grown by about 22%. So what has led to sharp increase in this cost?

M. Chandru Kalro: All our factories are running full capacity employing more manpower, and you would have seen that our production capacity utilization has gone up in this year. We have also taken additional manpower this year because we got to open up a few markets with a greater degree of depth outside of the South. And therefore, this is contributing to the additional manpower cost. These are basically investments to increase market penetration. .

TT Jagannathan: The increase is in line with our budget

Sameer Shah: And when I look at your segmental growth, so growth in cookware was negative this quarter and appliance was in single-digit, 8%. So, how to read this?



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- TT Jagannathan:** The growth in cookware and appliances largely comes from Kerala during Q2. As you know, Kerala shut down practically for nearly for 25 days of the month. So that is why you have seen the cookware and appliances growth slowed down.
- Sameer Shah:** Then second one, small clarification, in the morning on the TV you said you will be able to maintain the margin in second half. So you were talking of Q2 margin or H1 margins?
- TT Jagannathan:** H1 margins.
- Sameer Shah:** H1 margins. Okay. And just lastly, in terms of export, it is only cooker sales or it comprises of other elements as well?
- TT Jagannathan:** Cookers , Cookware, mixies, a lot of things.
- Sameer Shah:** Lot of things. Okay. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Avi Mehta from IIFL. Please go ahead.
- Avi Mehta:** Sir, I just had a small question on the demand side. Now, I am just trying to read your commentary on the positive outlook. Given that the base essentially becomes a little favorable in the second half, how should I look at that? Significantly thought on a two-year CAGR basis, you expect this momentum to continue, pickup or you are still having some concerns? What should I read in from this commentary on being positive? Are you indicating towards continued pickup?
- M. Chandru Kalro:** Look, there are some segments of our business that are looking positive, thanks to the rural thrust. The urban areas are not as positive as the rural areas; however, we are looking at growth since we have so many new products, new channels and all that, we are looking at growing our topline significantly in the second half. Like you correctly pointed out there was a base effect. The other thing is after so many quarters for the first time we will have no major thing to worry about because this quarter, for example, had a GST restocking last year on Y-o-Y basis so on and so forth. We will have to see one more quarter to see, look at the big demand situation, but it is looking fairly all right.
- Avi Mehta:** Sir, could you kind of also give us a sense on the South India? I understand Kerala was impacted, but Tamil Nadu, etc., how are they doing? And is the pickup that you had seen in the first quarter sustaining?
- M. Chandru Kalro:** All other parts of the country have done as well, if not better than what we had planned for in the quarter two.
- TT Jagannathan:** And every area is in double digits.

- Avi Mehta:** Okay. And Sir, the second, it was on the margin commentary. Now just trying to understand, is there any further price increases that you have taken to pass on cost inflation?
- M. Chandru Kalro:** Well, the foreign exchange as the rupee depreciation that has recently happened, we have taken a price increase on our imported products. On the domestic products, there is no major implication, so that is going on as usual.
- Avi Mehta:** Okay. So now the imports are dollar-denominated or aluminum, etc., that is what you are indicating?
- M. Chandru Kalro:** We had already taken up a price increase on our basic aluminum and stainless steel products because the cost of commodity had gone up. And that is now looking downwards, so they are all right, right now.
- Avi Mehta:** Okay. So essentially the demand trend kind of is also favourable and the margins as well as it are not something that you are kind of?
- M. Chandru Kalro:** Yes.
- Avi Mehta:** Okay Sir. I will come back in the queue for any other questions. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Aditya Bagul from Axis Capital. Please go ahead.
- Aditya Bagul:** Great. At the AGM last time around, we talked about doubling our domestic turnover over the next four to five years. This essentially means a 15%-plus kind of a growth rate. Can you elaborate a little on this as to which segments do we see growing with such kind of consistency? And in the same breadth, if you could explain how the growth in the PSK network fits into the strategy?
- M. Chandru Kalro:** You are absolutely right. It is around 15% growth rate that we are looking at in the domestic market for the next four to five years. The way we are looking at this is, there has been significant thrust by the government in Ujwala Yojana. That should open up at least 8 Crores new kitchens for kitchen products. We are not looking at one specific product line that will help us achieve that growth rate, but we are looking at an all-around growth rate, pressure cookers in particular. We are looking at gas stoves, mixer grinders and small electrics to propel us to that growth rate. So that is on the growth. And what was the second question?
- T. T. Jagannathan:** That 15% in the first half is not for Kerala.
- Aditya Bagul:** Right, Sir. That is quite encouraging, Sir. Sir, my second question was in terms, how does the growth in our PSK network fit into this strategy? I mean, do we expect a significant contribution coming from our PSK network going forward as well?

- M. Chandru Kalro:** Currently, our PSK network contributes to about 17% of the sales. Going forward, we are looking at keeping the same percentage contribution of the channel, which means that the PSK will grow at the same rate of 15% as we go forward. We are looking at store acquisitions. We have just gone through a new rebranding exercise for the PSK.. We are called Prestige Exclusive now, because we are no longer just in the kitchen. vely. So we are looking at store acquisitions going around aggressively. We are looking at roughly doubling the number of stores in the next four to five years, in the same period.
- Aditya Bagul:** Right, Sir. That is quite encouraging. Sir, my second question is on the capex and the free cash flow. Our capex plans, do they remain more or less stable at Rs.90 Crores to Rs.100 Crores for this year?
- M. Chandru Kalro:** Yes.
- Aditya Bagul:** And that is predominantly to increase our pressure cooker capacity?
- M. Chandru Kalro:** And cookware.
- Aditya Bagul:** Pressure cooker and cookware. Right, Sir. Sir, in your press release, you talked about some Rs.245-odd Crores of free cash that you have. Have you narrowed down on any acquisition targets? Or what is the plan for this excess Rs.250 Crores?
- T. T. Jagannathan:** No, we have not narrowed down. We are looking at several opportunities. As and when we know something, we should essentially publish it.
- Aditya Bagul:** Great Sir. Thank you so much for your time and congratulations once again.
- Moderator:** Thank you. The next question is from Naveen Trivedi from HDFC Securities. Please go ahead.
- Naveen Trivedi:** Good afternoon everyone. Congratulations for a strong number this quarter considering the Kerala impact. So in your press release, you mentioned that there is around Rs.15 Crores kind of impact due to Kerala. So if you see that number, if you remove that impact, then I think our top line is growing by around 9.5% to 10% this quarter. But I do not understand a decline in the cookware despite the impact on Kerala?
- M. Chandru Kalro:** Kerala is a major market for us, and you must remember that quarter two is the major festival season in Kerala. So what was lost was really 40% of the year's sales of Kerala. And Kerala is a very large cookware market for us.
- Naveen Trivedi:** Okay. But you mentioned around Rs.15 Crores kind of an impact from Kerala in the press release?



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- M. Chandru Kalro:** Yes. Please remember, we also said to you that the previous year's numbers reflect a large restocking by the channel thanks to a post-GST scenario. So really this quarter was actually a big struggle, because we were looking at a high base and the core festival in Kerala.
- Naveen Trivedi:** Okay. So do you think that the last restocking happened more towards cookware and appliances versus cooker, because cooker growth was still healthy at around 11.5% this quarter?
- M. Chandru Kalro:** Yes, cookers have done extremely well because our rural thrust is doing very well for us in cookers.
- Naveen Trivedi:** And when you say that second half also you expect reasonably very strong growth. And when we look at the base which will be paid out in the second half, there also it is very high, because in third quarter, we had posted around 15% growth and fourth quarter was around 22% growth?
- M. Chandru Kalro:** Last year's third quarter, the actual topline was lower than the second quarter. So we are expecting this year's third quarter to be a little more than the second quarter. So you can make your own assumption.
- Naveen Trivedi:** And again, like the festive season benefits will also be in the third quarter. So coming back to the festive season thing, how this impact the expectation from the Diwali side, because there are lots of feedbacks are coming that the festive seasons are slow, some feedbacks are coming, festive seasons are good. So how are you seeing in your category and your field?
- M. Chandru Kalro:** See, what we have seen in the last few years is that the Diwali retail is really a base on the last 10 days preceding Diwali. Those last 10 days, we have not yet seen. We will know only in the next two, three days whether the Diwali retail has gone to its full swing. But we expect it to. Our primary is in line, and therefore, we are expecting a good season.
- Naveen Trivedi:** Sure. And on the other expenses side, considering the growth which we have posted during the quarter, why the other expenses are flat? Is there any one-off in the last year's second quarter?
- M. Chandru Kalro:** The accounting standards now require you to reduce the discount number from turnover. So some of the other expenses go to the topline,
- T. T. Jagannathan:** That is specifically a discount figure. I mean, we had the sales during a discount period. Last year, that is partly because the discount was included in other expenses. This year, it has been reduced on the sales directly, so that is the reason. This is an accounting treatment.
- Naveen Trivedi:** I think last year's second quarter this will also be the case, because since second quarter onwards, the GST implementation was there. So the accounting thing will also be similar in the second quarter last year?
- M. Chandru Kalro:** No, no. The accounting standard...

- V. Sundaresan:** See, GST was not the criterion. The criterion is AS 115, which mandates that certain items of expenses related to sales are to be deducted from revenue rather than showing it as expenses. That portion, this year is presented discount, whereas last year it was in other expenses.
- M. Chandru Kalro:** A mixed effect.
- T. T. Jagannathan:** That is IndAS 115 started only this year.
- V. Sundaresan:** Therefore, the accounting entries are not comparable strictly.
- Naveen Trivedi:** So this quarter, we posted Rs.39 Crores discounts, correct versus last year, we reported Rs.34 Crores discount?
- V. Sundaresan:** Yes.
- Naveen Trivedi:** So how should we see the numbers versus last year?
- T. T. Jagannathan:** Yes, it is Rs.5 Crores difference, we have to put the Rs.5 Crores to the bottomline, you can do the math.
- Naveen Trivedi:** No, I did not understand, Sir.
- V. Sundaresan:** See, last year's Rs.33 Crores is not in reality Rs.33 Crores. In equivalent terms, it is around Rs.34.5 Crores or Rs.35 Crores, because certain expenses, which are to be classified today as a deduction from sales, were classified as other expenses last year.
- Naveen Trivedi:** Okay. So you mean to say the revenue growth, in real terms, underlying revenue growth will be higher than what we reported this quarter?
- V. Sundaresan:** Slightly. Yes.
- M. Chandru Kalro:** Yes. You are right.
- Naveen Trivedi:** Thank you so much and that is all from my side.
- Moderator:** Thank you. Next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thank you for the opportunity Sir. My first question, pardon me asking for this clarification. We had in the second quarter last year, Rs.10.5 Crores of GST driven or some compensation to the dealers and inventory adjustment pertaining to the GST transition. And that time, you had indicated that it is actually part of the CoGS, or raw material costs. Just wanted to reclarify, because if I do the same math what was told in second quarter last year, we seem to have seen a

somewhat slight margin reduction at the gross profit level as well as EBITDA margin. So wanted to just get that clarification, Sir?

- M. Chandru Kalro:** Well, it is like this. You are absolutely right. Last year, there was some expense of onetime, which is not there in this year as a onetime. Okay?
- T. T. Jagannathan:** Margin does not reduce, even then.
- Achal Lohade:** Actually, if you adjust this Rs.10.5 Crores as in?
- T. T. Jagannathan:** It will grow.
- Achal Lohade:** It is the gross margin, because this Rs.10.5 Crores was taken as raw material costs, taken as one-off.
- T. T. Jagannathan:** Yes. No, no, Rs.7 Crores only.
- M. Chandru Kalro:** Only Rs.7 Crores was taken there last year.
- K. Shankaran** I will explain it like this. It is quite difficult for me to get the numbers over the phone. Conceptually we have to consider three heads of numbers. The discount on the sales, raw material consumption and other expenses. So this Rs.10.5 Crores was spread over two ways last year. Now it is spread over three heads. There, it is very difficult for you to compare these. What we are trying to say is that, forget all these arithmetic numbers, we have certain EBITDA margin achieved for first half as a whole, Q1 plus Q2. Our intention is to maintain that in the second-half also. i.e. closer to 14%.
- Achal Lohade:** Perfect. Perfect. That is very helpful.
- T. T. Jagannathan:** Which is substantially more than last year.
- Achal Lohade:** Absolutely. I agree, Sir. That is great. The other thing I wanted to check, you have highlighted that rural is doing better than urban somewhat. So is it possible to get what is a mix in terms of urban and rural, just broad? I understand it may not be absolutely calculated, but just a broad mix in terms of rural-urban? And how do you see for next quarter?
- T. T. Jagannathan:** We view that part of rural we directly cater. What goes through our dealer network in the rural areas, we don't not know exactly. Secondly, we want to keep the mix confidential .

- Achal Lohade:** Just the last question with respect to the capacity expansion. What is the current capacity we have with respect to cooker, cookware? I know you will have various SKUs, so it is a broad number? And what is the expansion we are looking at, and is it only focused for the domestic sales or it is for the exports purpose?
- T. T. Jagannathan:** Both. Capacity, I mean, for cookers is 6 million it will grow to 8.5 million; cookware, currently 6 million also, which should go up to 8 million. And the cookware, a large portion of that expansion is for exports.
- Achal Lohade:** Large portion is for exports. Okay. And this alone 2.5 million and 2 million for cookware, cookware, respectively, is costing us Rs.250 Crores, is that understanding right, sir? Or are there any appliances also, there is increase in capacity?
- M. Chandru Kalro:** The Rs.250 Crores is a mix of expansion as well as regular maintenance capex. We will be building new building and new machinery for newer capacity. This is a broad number, which is spread over three years. Immediate expansion plans have been just told to you by the Chairman. It is major, but it is largely in the area of pressure cookers and cookware, not in appliance.
- Achal Lohade:** Not in appliance, okay. And by when do we expect this 8.5 million and 8 million capacity to come on stream?
- M. Chandru Kalro:** By the first quarter of next year, the new capacity will kick in.
- Achal Lohade:** That is by June 2019?
- M. Chandru Kalro:** April.
- T. T. Jagannathan:** Between April to June
- Achal Lohade:** Okay, okay. And how much would be spent by then, roughly Rs.70 Crores, Rs.80 Crores for current year FY2019?
- T. T. Jagannathan:** About Rs.90 Crores.
- Achal Lohade:** Rs.90 Crores.
- T. T. Jagannathan:** That includes the maintenance capex.
- Achal Lohade:** Understood. And just last question with respect to our new products, how are they doing? And with respect to the Judge brand, which we have launched, how is it doing? And how do you see the

cleaning equipments doing, let us say, over next three years, what kind of revenue we can expect?

M. Chandru Kalro: Our new products are all being received very well in all categories that we have launched. We are seeing particularly good response in inner lid cookers and stainless steel. We are seeing very good response for our new mixer grinders and our new gas stoves. The cleaning products are doing fairly well. We have added a lot of products. And our water purifiers are slowly, but surely getting traction. And we are looking at further expanding our portfolio in water purifiers as well.

Achal Lohade: Understood. And just with respect to the mix, how much can we expect out of the cleaning equipment over next two, three years?

M. Chandru Kalro: We stand by what we told you, which is basically in the next five years we are looking at really contributing to between Rs.250 Crores and Rs.300 Crores.

Achal Lohade: Got it. Great Sir. Thank you so much for answering my questions patiently. Thank you so much.

Moderator: Thank you. The next question is from the line of Shiv Kumar from Unifi Capital. Please go ahead.

Shiv Kumar: Thanks for the opportunity and congrats for good set of numbers. Sir, my first question is on the appliances segment. Can you give the key products, which saw good sales during the quarter and which led to this kind of a robust sales growth in the segment?

M. Chandru Kalro: Our gas stoves and mixies have done very well.

T. T. Jagannathan: And also the cookers.

Shiv Kumar: Gas stoves and mixies. What about the induction stoves, sir? That is part of?

M. Chandru Kalro: They have also done very well.

Shiv Kumar: Sir, what was the ad spend during the first half and what is our budget for this year, full year?

M. Chandru Kalro: Ad spend is roughly 6.8% of our revenues.

Shiv Kumar: Right. And it will remain the same, Sir, for the full year?

M. Chandru Kalro: Yes, it is around about that number.

Shiv Kumar: What will be the split between sales in South and non-South market in say the first half of last year and the first half of this year?

T. T. Jagannathan: The 50-50 scenario remains.

- Shiv Kumar:** So given the emphasis that we are giving on expanding our reach in the non-South markets, how is that giving out results? Are you seeing encouraging results over there?
- T. T. Jagannathan:** Yes. Very good.
- Shiv Kumar:** Okay. Sir, what is the current contribution from the online channel?
- M. Chandru Kalro:** About 9%.
- Shiv Kumar:** During the recent sales by the e-com websites, we got to hear from the media releases that the sales increase was to an extent of 50% over last year. How was your own experience?
- T. T. Jagannathan:** Similar.
- Shiv Kumar:** Okay. So can we expect that sales experience to give a bump up in Q3?
- M. Chandru Kalro:** The online sales platform is like sales calendar. Whenever they have a big event, it spikes, and then the others takeover. So the calendar this year has been similar to last year, so we are expecting that whatever happened last year, those kind of spikes will happen and the growth will happen.
- Shiv Kumar:** Right. Sir, are you seeing any impact from the recent increase in electrification in the rural areas, because typically, the Ujwala scheme led to an increase of sales of cookers from the rural areas. But do you expect the appliances segment to also get a bump up as and when electrification reaches the nook and corners of the country?
- M. Chandru Kalro:** Yes, indeed. And we have also seen that the government is also looking at promoting induction cookers. Now that electrification has been achieved, and we are expecting something growth prompted from Government side, because after that, then it becomes easier for the government to actually reduce consumption of electricity now that electricity has reached remote areas.
- Shiv Kumar:** Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Kunal Sheth from B&K Securities. Please go ahead.
- Kunal Sheth:** Sir, during the call, you mentioned that given the rural sales are growing faster than the urban sales, can you give us some sense about what will be the share of rural sales as a percentage of our overall sales or may be our distribution network?
- T. T. Jagannathan:** I answered that question in detail about five minutes ago. We cannot measure rural sales directly because some of the sales that goes through our regular dealer network goes to rural areas. We only know what we can directly give the rural customers. So I cannot give you an answer on that.

- Kunal Sheth:** Sir, any sense on how much - what part of our distribution is in rural or Tier-3, Tier-2 cities?
- T. T. Jagannathan:** That is the question I cannot answer. You may see that the way we grab rural market, that consumes at this point in time.
- Kunal Sheth:** Okay. Thank you.
- Moderator:** Thank you. Next question is from Nidhi Agrawal from Angel Broking. Please go ahead.
- Nidhi Agrawal:** Thanks for taking my questions. My first question is, how much of sales is coming from Kerala?
- T. T. Jagannathan:** Kerala accounts for about 8% to 9% of total company's sales. Out of that, about 33% happens only in Onam, that is around August, September.
- Nidhi Agrawal:** Okay. So have we seen a slowdown in any other part of country also? Or the sales have been as per our expectations had not any flood being there in Kerala?
- T. T. Jagannathan:** Repeat the question, please?
- Nidhi Agrawal:** So barring Kerala, sales in other parts of India are as per our expectation?
- T. T. Jagannathan:** Yes. As we planned for a 10% growth Y-o-Y taking into account the various factors, underlying base of last quarter. If you add Rs.15 Crores, which we lost in Kerala to the topline, we would have crossed 10%..
- Nidhi Agrawal:** Okay. And the cost of goods sold has actually increased by about 1% this quarter. So what has led to this increase in raw material costs?
- T. T. Jagannathan:** Product mix.
- Nidhi Agrawal:** Product mix, okay.
- T. T. Jagannathan:** As per the new accounting standards, the topline has been reduced more than last year, so it appears that raw material cost is higher. But how did you get the costs going up, where did you do that calculation?
- Nidhi Agrawal:** Sir if I add the raw materials consumed, stock adjustment and purchase of finished goods together?
- M. Chandru Kalro:** It is really not very different from the previous year, if you look at.
- Nidhi Agrawal:** Sir, how much of imports are happening now? How much you are importing?
- M. Chandru Kalro:** What percentage of the product we sell are imported, is that the question?

- Nidhi Agrawal:** Yes.
- M. Chandru Kalro:** Less than 15%.
- Nidhi Agrawal:** Okay. And the 15% growth on yearly basis in revenue looks on track?
- M. Chandru Kalro:** Sorry?
- Nidhi Agrawal:** 15% growth for the year looks on track for the year?
- M. Chandru Kalro:** You are talking about growth or imported goods?
- Nidhi Agrawal:** Revenue growth, revenue growth.
- M. Chandru Kalro:** You are talking about revenue growth?
- Nidhi Agrawal:** Yes.
- M. Chandru Kalro:** We would like not to a give specific guidance at this point in time.
- T. T. Jagannathan:** I mentioned that we will grow in the double-digits, whether it will be 15% or 14% or 13% or 16% or 17%, we will wait and see. Our long-term goal is about 15% a year.
- Nidhi Agrawal:** Thanks for taking my question.
- Moderator:** Thank you. Next question is from the line of Sameer Shah from ValueQuest. Please go ahead.
- Sameer Shah:** Trade receivables for the quarter has increased to Rs.316 Crores versus Rs.242 Crores in March 2019 balance sheet. What has led to this sharp increase?
- T. T. Jagannathan:** What is the question?
- Sameer Shah:** Trade receivables. So what has led to sharp increase in trade receivables for first half?
- T. T. Jagannathan:** But percentage has come down.
- M. Chandru Kalro:** Our ratio on receivables is actually better this year at the end of September 30 as compared to September 30 of last year.
- Sameer Shah:** If I look at TTM sales and trade receivable as on date, it has increased by, I think, 10%, 12%. In number terms, it has increased by 8% to 9%.
- T. T. Jagannathan:** By first half, increase in sales is 12%.

- Sameer Shah:** And receivables have increased by more than 25%?
- T. T. Jagannathan:** No.
- M. Chandru Kalro:** No. It all depends on when the sale is happening. If you look at my debtors on turnover, as we do 12-month backward turnover, my ratio has actually only improved.
- V. Sundaresan:** The sales is net whereas the debtor number is gross, which includes GST.
- Sameer Shah:** Secondly, on Horwood performance, on a full year basis, what one should expect?
- T. T. Jagannathan:** It will be like last year.
- Sameer Shah:** Like last year. Thank you. That is it from my side.
- Moderator:** Thank you. Next question is from Abhijit Sinha from Pi Square Investments. Please go ahead.
- Abhijit Sinha:** Good afternoon. Basically, like as the previous analyst was saying that in the balance sheet if you see, from March we had a Rs.242 Crores trade receivables, whereas in the September of 2018, we have Rs.316 Crores trade receivables, so that is?
- T. T. Jagannathan:** They are not comparable, when you compared September this year to September last year. Because the sale happened because of Diwali, it already happened in the last month, whereas March is a very, very slow month.
- Abhijit Sinha:** Perfect, Sir. And one more thing is that the exports we have aimed it to be around 5% of our revenue. Right now, it is about 2.5%. Do you think in the coming quarters, we will be able to increase that?
- T. T. Jagannathan:** Repeat the question, please?
- Abhijit Sinha:** Our exports, we were expecting that to be about 5% of our revenue, right? So currently in this quarter, it is about 2.5%?
- T. T. Jagannathan:** That is correct.
- Abhijit Sinha:** So Sir, are we making any plans towards that?
- T. T. Jagannathan:** We currently do not have the capacity. We are going at full capacity for domestic. We are adding capacity. As and when the new capacity is released, we will have growth there.
- Abhijit Sinha:** Perfect, Sir. And any idea on the number of SKUs we want for the next coming quarter?

- M. Chandru Kalro:** 20-odd SKUs will come out this quarter. Just to answer you on receivables so that we are clear on that. Our receivables as September 30, 2018, they are Rs.312.92 Crores. The receivables as on September 30, 2018, after 12% growth in revenues are Rs.307.95 Crores.
- T. T. Jagannathan:** It is lower. This is seasonal, so you have to compare point-to-point Y-o-Y number and not the March number.
- Abhijit Sinha:** Great, Sir. Sure. And just about the Tattva Water Purifier, sir, how is that business growing, right now?
- M. Chandru Kalro:** Which business?
- T. T. Jagannathan:** Tattva.
- M. Chandru Kalro:** Tattva is doing well. It is slowly but surely getting traction, and we are getting a good attention. The issue is that the gravity space is not a growing space, so actually we are looking at growing on a shrinking market really. But we are getting a good traction and we are now taken seriously in that space.
- Abhijit Sinha:** And also one another problem that I see is that a lot of companies are coming out with their brands of water purifiers. So is not the market getting quite competitive?
- M. Chandru Kalro:** It was always competitive, but what you are mentioning is in the electric space, we are in the nonelectric space.
- T. T. Jagannathan:** Also, can you tell me which market is not competitive, so that we can get into?
- Abhijit Sinha:** Sir, with the rising LPG prices, does that impact our demand? Do you see anything that people would slow down a bit from that aspect?
- T. T. Jagannathan:** If people slow down cooking, then it will happen. And if people stop eating, it will happen for sure. What do you think?
- Abhijit Sinha:** I am talking about the rural side, Sir?
- M. Chandru Kalro:** No. Actually, what is happening is while the LPG growth is also happening, thanks to the number of new connections that have been added, there is a steady, clear growth in induction as well.
- T. T. Jagannathan:** In the rural areas too, thanks to the electrification.
- Abhijit Sinha:** Thank you so much.

- Moderator:** Thank you. The next question is from the line of Devansh Nigotia from Securities Investment Management. Please go ahead.
- Devansh Nigotia:** Thanks for the opportunity. I just wanted to know about our long-term growth of 15% over five years. So can you break this up in organic and inorganic growth opportunity? Or how we are looking into it?
- T. T. Jagannathan:** Yes. We actually, in fact, we will do Rs.5000 Crores in five years, of which we expect the organic growth, including cleaning solutions, to be Rs.4000 Crores, and Rs.1000 Crores is going to be acquisitions. That is the breakup.
- Devansh Nigotia:** Okay, Rs.1000 Crores. And can you elaborate on the current size of cleaning solutions? Yes, the current size of cleaning solution.
- M. Chandru Kalro:** Cleaning solution is at about an annualized turnover of about Rs.35 Crores.
- Devansh Nigotia:** And you gave Rs.250 Crores to Rs.300 Crores projection for the next five years?
- M. Chandru Kalro:** That will, obviously, grow faster than the other product categories
- Devansh Nigotia:** Thanks a lot. That is it.
- Moderator:** Thank you. The next question is from the line of Shiv Kumar from Unifi Capital. Please go ahead.
- Shiv Kumar:** Thanks for the opportunity again. You mentioned that you have taken price hikes in the quarter gone by, but if could please quantify how much was hike taken?
- M. Chandru Kalro:** The price increase was taken on account of increased commodity prices at the end of first quarter on our pressure cookers and cookware, and the quantum of price hike was about 4%.
- Shiv Kumar:** At the present levels of commodity price and currency, has all the impact passed on or do we have to take further increase in prices?
- M. Chandru Kalro:** Everything is passed on. There is no further need to take a price increase.
- T. T. Jagannathan:** They are stabilized there now.
- Shiv Kumar:** Secondly, on the utilization levels at our plants, given that we are at higher levels of capacity utilizations and new capacities comes on stream in the first quarter next year. Would that be an opportunity loss for us given that the market trends are looking quite healthy? And in such a scenario, how are we going to look at the situation?

- M. Chandru Kalro:** We are in a position to feed this year's demand without any problem.
- T. T. Jagannathan:** If you mean, are we taking any opportunity of price increases, we do not do that. Our price increases are honest.
- Shiv Kumar:** No, I was not referring to the price increases, more on the volume trends in the industry. Given that we are at higher levels of utilization, our capacity would be sufficient to meet the current year?
- T. T. Jagannathan:** Yes. What we state is the current year financial year projection, we will meet with current capacity utilization. Going forward next year, new capacity coming into place for us to further grow in the market.
- Shiv Kumar:** Sure, that is great. And if you could also please quantify how much was the contribution from the Judge brand in the quarter gone by?
- M. Chandru Kalro:** Judge brand is still very small. Actually, the reason for that is very clear. The Judge brand is a tactical brand, which we would like to use only where we feel that the business for Prestige cannot come at the Prestige price. So therefore, we are underplaying it and only utilizing it tactically.
- Shiv Kumar:** Sir, just one question on the unorganized segment of the industry. Are you seeing any decrease in your market share across cookers, cookware?
- M. Chandru Kalro:** We have increased market share across all our key categories.
- Shiv Kumar:** Okay. At the cost of the unorganized sector, Sir?
- M. Chandru Kalro:** At the cost of the?
- Shiv Kumar:** Unorganized players.
- M. Chandru Kalro:** At the cost of may be unorganized and organized players.
- T. T. Jagannathan:** I suggest you subscribe to Francis Kanoi you will know the answers.
- Shiv Kumar:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.
- Niket Shah:** Thanks for the opportunity. A couple of questions; first, on the home cleaning solution part of the business, obviously, your press release does mention that the performance has been encouraging.



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Would it be possible to share, has the products reached across India or are you still halfway through their journey? And has the SKU profile also got completely ramped up?

M. Chandru Kalro: No, we have not yet gone across the country. There is still been some distance to go there. We are slowly, but surely building in terms of distribution.

Niket Shah: So is there some challenge in terms of sourcing of the product?

T. T. Jagannathan: No, no problems Niket, no problem with sourcing.

Niket Shah: No problem with sourcing. Okay. The second question was, just if I were to look at, a very basic question. If you look at the cookware to cooker ratio that we sell, so if you look at the second quarter about Rs.206 Crores and Rs.95 Crores worth of cookware, so broadly about 50% of cooker is cookware sales. But globally, that is not the case. So why is it that in India, I mean, only company that sells cookware in this kind of proportion on an organized basis, you, but should not be the other way around? And so what are we lacking here?

T. T. Jagannathan: Well, I will tell you what we are talking here. We know India has a big pressure cooker market built over the last 60 years. But Cookware i.e. non-stick cookware has been around only last 10 years or so; also remember, the cookware market, range from clay pots made in the village to cheaper aluminium/steel cookware.. We are in the nonstick cookware and value added cookware segments which is a small share of the overall cookware market. We are building capacities in cookware as we expect shift in domestic consumer preference and a promising global market.

Niket Shah: Okay, sure. And one final question is on the appliances part of the business, while we do see a reported number of Rs.270 Crores, there will be multiple appliances with multiple categories within appliances. Is there a case for manufacturing of certain appliances in India and reduce your import component? Or it is too tough because of the change in design, features all the time within the appliance category?

T. T. Jagannathan: That is not the case. We are doing it. In fact, we indigenized nearly all of our induction cooktop, we are in the process of indigenizing rice cooker, and this is process going on. We want to be the first in Make in India. I do not know whether you have noticed, all our new products contain a logo, which says Made with Pride in India.

Niket Shah: Perfect Sir. Thank you so much and best of luck.

Moderator: Thank you very much. That was the last question in queue. As there are no further questions, I would like to hand the conference back to the management for closing comments.

M. Chandru Kalro: Thank you, everybody for coming to the conference. I think we must say that we have had a very good quarter. We are very optimistic about the second half, as we have done in the first half of this year. Looking forward to hopefully present similar kind of results going forward. Thank you, once again.



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Moderator: Thank you very much. On behalf of Ambit Capital Private Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen, and you may now disconnect your lines.