



“TTK Prestige Limited 3QFY2021
Earnings Conference Call”

February 10, 2021



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*TTK Prestige Limited
February 10, 2021*

Moderator: Ladies and gentlemen, good day, and welcome to TTK Prestige Limited 3QFY2021 Earnings Conference call hosted by Ambit Capital. 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. Dhruv Jain from Ambit Capital. Thank you and over to you Sir!

Dhruv Jain: Thanks, Aman. Good afternoon, everyone. Welcome to TTK Prestige's 3QFY2021 Earnings Conference Call. We have with us the management of TTK Prestige represented by Mr. Jagannathan, the Chairman; Mr. Chandru Kalro, Managing Director; Mr. Shankaran, the Whole Time Director; and Mr. Saranyan, the CFO. Thank you, and over to you, Sir, for your opening remarks.

Chandru Kalro: Good afternoon, everybody, and thank you for being here. We have had an excellent quarter, our best quarter actually ever. We have reported all-time high sales and all-time high bottom line for any quarter ever. We expected 3Q to be good as we told you earlier as well because we have expected all channels to be active only from this quarter and luckily, the festival sales were excellent for our category of products and we are seeing good traction for the brand. The brand has made good strides in markets where we wanted to make good strides. We have not done any drastic reduction in any of our normal expenditure and this bottom line is clean after all that because we have decided to keep our advertising in full blow. Our new products are doing extremely well, and we are looking good for the future. Over for any questions. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Sameer Gupta from IIFL Securities. Please go ahead.

Sameer Gupta: Congratulations on a very good set of numbers. Sir, 2 questions from my side. One is that there is steep inflation in almost all commodities, steel, aluminum even crude prices have now started to move up and there is also a disruption from Chinese imports so in all this context, how do you look at your gross margins and EBITDA margin in tandem I know you have clogged around 15% this quarter, which is actually very good 17% this quarter. But for a sustainable basis, what kind of EBITDA margin are you targeting? And should there be a very steep inflation in commodities, how do you plan to manage that? That is my first question, Sir.

T. T. Jagannathan: Well, we pass on our cost increases so if there is an inflation in steel, aluminum, crude oil, whatever you said, we pass them on. The EBITDA margin depends upon what top line growth is. If the top line growth is good, you will have a good EBITDA margin, if it is poor, you'll have a lower EBITDA margin. But the gross margin will remain intact.



*TTK Prestige Limited
February 10, 2021*

- Sameer Gupta:** And just a clarification, Sir so let us say, the aluminum prices are up 50%. You cannot really pass on 50% price increases, right? Probably absolute amounts, we may still be able to pass on, and gross margin to that extent will see a contraction. Is that understanding correct?
- T. T. Jagannathan:** No, that understanding is wrong. As cost goes up by 50%, we pass on that and the margin on that.
- Sameer Gupta:** Got it, Sir. Agreed. Okay. That is very clear. Secondly, Sir, looking at our working capital, 75 days of inventory, 50 days of receivables. Just trying to understand, is this part of our business model and things will not change? Or is there a plan to reduce this business mix? Any lever sort of which will result in lower working capital going forward?
- T. T. Jagannathan:** In my view, this is probably lower.
- M. Chandru Kalro:** By the way, your numbers on the working capital are wrong.
- K. Shankaran:** Because our receivable days have come down during third quarter ; you may be talking about second quarter number. Third quarter numbers are far better.
- Sameer Gupta:** Sir, I am looking at FY2020.
- M. Chandru Kalro:** Thank you.
- K. Shankaran:** Okay so that is not comparable at this point in time.
- M. Chandru Kalro:** Yes.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Congratulations for the great performance. My first question is, you have kind of highlighted that with respect to supply disruption, so: a, if you could talk about which particular categories did you face the supply chain where are we in terms of normalization? And b, is in terms of the supply disruption for the peers and what is the extent of revenue loss or lost sales according to us because of this supply disruption for us.
- T. T. Jagannathan:** Chandru?
- M. Chandru Kalro:** Yes so you know that we took a unilateral decision to stop Chinese imports of finished goods way back in May of this financial year and we have been working very hard to move those supply chains into India, and we have been successful in doing a lot of it, in fact. But we would have still lost some sales because some products could not be tooled up fresh on time so my estimate is that the Chinese products that we could not move enough to India in terms of supply



TTK Prestige Limited
February 10, 2021

chain, we would have lost about Rs.20 Crores to Rs.30 Crores in turnover for the quarter. And the other supply chain disruptions were not really disruptions because in the Q3, we had good supply chain. But the problem was the accumulated deficits of the Q1 and Q2, which meant that we did not have a surge stock available for this kind of a surge demand, which is what caused the problem. We will have no such problems in the following quarters, going forward. The Chinese sourced models that are being made in India now, even those models, largely by the end of Q4 of this year, would have stabilized on most of those products.

Achal Lohade: Understood. And if you could talk about so in terms of the growth in the e-commerce segment, what is the growth Y-o-Y and the mix for us, for third quarter FY2021, Sir?

M. Chandru Kalro: See, you must remember that e-com has grown at 50% to 60% even in Q3. But clearly, we could have grown even more had we supplied more to the e-com channel. But we did not want to do it at the expense of the other channels, which we are just flipping back to normalcy. And hence, we played a more equitable role in making sure all channels were fair.

Achal Lohade: Understood. And what is the mix, Sir, for the third quarter out of the total revenues?

M. Chandru Kalro: E-com came to around 16%, which was very much higher in the other 2 quarters at the beginning of the year. And it could have been better, as I said, but it would have been at the expense of other channels, which we did not want.

Achal Lohade: Fair point. And just last question, Sir. Given our 24% growth in the domestic market, what is the underlying industry growth? I know it is hard to say. But is there a pent-up demand angle? Is there a onetime buying, which has played out? What I am trying to look at is more of a medium-term growth. How do we look at this growth in the cooker, cookware and the appliances segment, Sir?

T. T. Jagannathan: As we told our Q2 results were good. And everybody said it is pent-up demand. And Q3 is also good. And we cannot keep having pent-up demand for 25 years.

Achal Lohade: Yes. But if I have to just see the industry growth, what is the growth once you would look at and in terms of cookers, cookware and appliances in general?

M. Chandru Kalro: See, you are looking at a situation of a double-digit growth in most categories as we speak. But however, if you look at the next few quarters, it is all worked because last year, we did not have a full quarter because of the lockdown so it is not strictly comparable, you will have a much better growth on that because you would not have a disrupted March. Similarly, in the Q1 of the next financial year, you have a disturbed Q1 of this financial year so growth is not comparable. Only after that will we be able to say whether growth is comparable or not. Currently, I do not think we should bother about it. There is good demand. Even the month of January, we have had a good demand so therefore, I think we should say that the market is doing well. And it is going towards good brands.



*TTK Prestige Limited
February 10, 2021*

- T. T. Jagannathan:** After this budget, which is a very growth-oriented budget, I believe that the market will grow.
- Achal Lohade:** So is it fair? Like earlier, I remember, Sir, you talking about cooker, cookware are more of mid-single-digit growth categories while appliances is double digits. Would that assumption change given what sales happened in last 3, 4 months or what we are currently seeing?
- T. T. Jagannathan:** It will change, it is not, because what has happened in last 3, 4 months. Because we have launched new products, which have got very good traction in the market, so we have got good gains.
- Moderator:** Thank you. We will move to the next question that is from the line of Simran Bhatia from SMC Global Securities. Please go ahead.
- Simran Bhatia:** First of all, congrats to your management for posting such an excellent results. Sir, there are 2, 3 questions which I want to ask. First of all, if TTK Prestige is taking any advantage from this PLI scheme, which is announced by the government a few months back? And secondly, I want to understand, what is your percentage of the total revenue from the non-South India? And third, what is the percentage of the e-commerce in the total revenue, if you can give some figure?
- T. T. Jagannathan:** Shankar, do you know what the PLI scheme is?
- K. Shankaran:** The PLI scheme does not apply to our category. It does not apply to pressure cookers and cookware or kitchen appliances.
- K. Shankaran:** It is largely to the pharma and other sectors.
- Mr. Chandru Kalro:** And in electronics.
- Simran Bhatia:** And Sir, what is your percentage of your total revenue from the non-South of the country, if you can give some perspective?
- M. Chandru Kalro:** We right now are about 48-52 kind of thing, South, non-South.
- K. Shankaran:** It moves between 48 to 52 depending upon the quarter.
- M. Chandru Kalro:** Yes.
- Simran Bhatia:** Okay and Sir, third will be percentage of e-commerce in the total revenue, it is approximately 16%, if I am not wrong?
- M. Chandru Kalro:** Yes, around that, yes.



*TTK Prestige Limited
February 10, 2021*

- Simran Bhatia:** Okay and Sir, my last question is, what is the succession planning in the company going on in the future? are you looking forward to something like that?
- K. Shankaran:** There is a robust plan always in place. You can see our annual report this year. We will give more details there.
- Moderator:** Thank you. The next question is from the line of Kunal Sheth from B&K Securities. Please go ahead.
- Kunal Sheth:** Congratulations on a really good set of numbers. Sir, my first question is if you can give us some sense on what would be the 9 months market growth in each of our categories? And what would be our market share currently versus last year?
- M. Chandru Kalro:** So can you come back with the question? I did not understand. What is the growth?
- Kunal Sheth:** Nine months market growth for the cooker, cookware and appliances categories that we are in. And what would be your market share in each of these segments versus last year?
- M. Chandru Kalro:** Difficult to give you actual category growth because of the COVID. That is difficult to estimate these, so we do not have those numbers. Neither do we have the latest market share numbers because they have not yet come in for the first 3 quarters. I can tell you for that up to Q2, we have gained share significantly.
- Kunal Sheth:** Okay so basically, what I wanted to understand is that this large part of the growth, I mean market share, as you are saying that you have gained significant market share? Do you think this will be sticky? Or once this supply disruption and unorganized part of the business comes back, part of it might not sustain?
- M. Chandru Kalro:** Our gain in market share happens when we have innovative products which is exactly how we gain market share
- Kunal Sheth:** Okay. Okay. And Sir, could you give us some sense on the export side of the business? Are we seeing increased inquiries because we are targeting very ambitious Rs.500 Crores from exports, so how are things shaping up there?
- M. Chandru Kalro:** Shaping up very well. We have grown quite significantly in the first 9 months of this year.
- T. T. Jagannathan:** Actually, it would have grown more, but we are not able to get containers.
- Kunal Sheth:** But are we seeing increased inquiries for exports, Sir?
- M. Chandru Kalro:** Yes.



*TTK Prestige Limited
February 10, 2021*

- Kunal Sheth:** And Sir, my last question is, we are in appliances segment, we have almost now Rs.1000 Crores worth of revenue on an annual basis so what is the kind of growth that we can assume for sustainably for the next 5 years? Is a 15% CAGR possible in this category?
- M. Chandru Kalro:** That is what we would like to achieve.
- Moderator:** Thank you. The next question is from the line of Naveen Trivedi from HDFC Securities. Please go ahead.
- Naveen Trivedi:** Congrats to the team for strong numbers. Sir, is it possible for you to share what sort of price hike you have taken in the third quarter? Or any sort of price hike in Jan also?
- M. Chandru Kalro:** So we have taken on a weighted average basis close to 9% price hikes in the third quarter. That was over 2 tranches in some categories. And I do not see any price hikes happening in Q4 because we are quite happy with the price we are getting.
- Naveen Trivedi:** Fair point. And any sort of like channel inventory level because lots of cities and metros, we have seen a gradual revival in the Q3 so what sort of channel inventory you have seen?
- M. Chandru Kalro:** Channel inventories are at normal levels of under a month and a month because we have been supplying to that extent also so they are very comfortable, which is why our receivables are also very comfortable. All of that is in good shape.
- Naveen Trivedi:** Fair point. And when you also talked about that 20% sort of a growth in Jan, so this growth basically, like you also talked about, the categories are also improving so it can be a combination of both your market share gain and the categories are also improving so do you think the thesis which you were talking about, the work from home and the convenience where people are spending money, so that will even that cases will be there in the near- to medium-term time frame?
- M. Chandru Kalro:** I think so because people now also, please remember that they have been saving money on other revenues. And they have been spending money on the home and home improvement and kitchen improvement so I think this trend should continue for a while as we go along.
- T. T. Jagannathan:** And work from home is here to stay. All big companies have now decided that a large part of their staff will work from home.
- Naveen Trivedi:** Fair part. And just lastly, also like your gross margin on a Y-o-Y basis is down. But are you seeing any sort of premiumization in your categories? Because if I look at your new launches, they all are in the premium segment. And you are saying that you are seeing a good traction for even new launches side so that we are seeing a broader level premiumization in your categories?
- M. Chandru Kalro:** So where do you get this gross margin is down from?



*TTK Prestige Limited
February 10, 2021*

- T. T. Jagannathan:** Yes, exactly. Where did you get that information from?
- M. Chandru Kalro:** Because my material cost as a percentage of sales is roughly the same as last year Q3, and it is better than Q2.
- Naveen Trivedi:** No, I am saying on a Y-o-Y basis, your margin is slightly down by around 30 bps at a gross margin level.
- T. T. Jagannathan:** 50 point
- M. Chandru Kalro:** 98.01 to 58.5, hoping the difference between products or channel. It is nothing in that sense.
- Naveen Trivedi:** Yes so that is what I am asking that is the premiumization trend in your categories are like so that is what I am more curious to know about the premiumization trend in the market?
- T. T. Jagannathan:** No. The margin is not because of premiumization. If I sell more mixies, the margin will come down. If I sell more cookware, margin goes up. It is all about the products. If I sell more to e-commerce, margin will come down. If I sell more to the retail trade, margin will go up.
- M. Chandru Kalro:** So products channel mix does have a big say, and I think these are quite stable. We have a very widely segmented brand across our categories. And we operate in a wide segment of brands price points so I do not see any problem there. It is quite stable.
- Moderator:** Thank you. The next question is from the line of Manish Poddar from Nippon India AIF. Please go ahead.
- Manish Poddar:** Sir, congratulations on a great set of numbers so just wanted to understand, so let us say, in 4Q, would it be a fair assumption that this Rs.200 Crores of revenue run rate, which you are having on a monthly basis, should easily sustain given that there can be some sort of channel selling which can also happen at the year-end?
- M. Chandru Kalro:** We ensure that we do not fill the channel the way others do. And I do not think that we would like to give a guidance on whether this Rs.200 Crores will continue at this point in time.
- Manish Poddar:** Online channel is constantly doing about Rs.100 Crores sales on a quarterly basis so any sort of data which you are collecting, just to understand, is this sales to a completely new set of customers? Or are these just existing customers buying for another channel?
- M. Chandru Kalro:** Sorry, come again with that question?
- Manish Poddar:** Sir, I am trying to understand, let us say, now online, you all are doing about Rs.100 Crores of sales on a quarter basis for the last 2 quarters easily so what I am trying to understand is, are



*TTK Prestige Limited
February 10, 2021*

these new customers altogether for TTK? Or these are existing customers just buying to another channel in the interim?

K. Shankaran: It will be a mix of both.

T. T. Jagannathan: We do not have the data.

Moderator: Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

Prashant Kutty: Congrats on a good set of numbers. The first question is on the margin. Apologies if you have answered before. You always highlighted that you would not want to cut back on the expenses or on your employee spend. But this time, you have actually seen some of the best EBITDA margin in the last for a very long period of time. How much of this do you think would be sustainable going forward?

T. T. Jagannathan: That all depends upon the growth. If the market growth is very good, then we will sustain the margins.

Prashant Kutty: Okay. Sure. Got your point. But what I am trying to understand is, are we trying to say that are we kind of more confident of getting a 20% kind of a growth rate now looking at the overall market scenario? Because if that is the case, then you are obviously looking at a higher-margin structure as well.

T. T. Jagannathan: That is true. If you get to 20%, we are looking at higher margin structure. That is true.

Prashant Kutty: Okay. But is the market growth moving towards the direction because values...

T. T. Jagannathan: For this quarter will certainly beat 20%.

Prashant Kutty: No, I am asking on the market growth. Is the overall market itself growing at that such a high rate?

M. Chandru Kalro: As I said, it is difficult to say. I mean every time we have said it is pent-up demand or it is this, or it is that, I think we are taking it as it comes. The brand is strong. As I said, we did not reduce expenditure on advertising. We wanted to make sure that the brand was as strong as ever. We have been feeding all channels so that we are available wherever the customer goes. That has been the philosophy. And if the market is growing, we will get that growth or better.

Prashant Kutty: Any channel where maybe growth is still not up to your standards or where you probably would want to catch up?



*TTK Prestige Limited
February 10, 2021*

- M. Chandru Kalro:** The large format has not yet come back fully. For example, the future retail used to be our big customer, so some of these things, for future retail some of that sale has been compensated with the other large formats. Those are some things that would not have come back fully.
- T. T. Jagannathan:** And the rural market has not yet come back fully.
- M. Chandru Kalro:** And some of the MFI sales has not come back fully.
- Prashant Kutty:** Okay. The MFI sales have not yet come back fully. Sure. And last point, Sir, is on the supply chain, you used to highlight about that in the past. How is that situation at this point of time after your supply chain is concerned?
- M. Chandru Kalro:** Now it is quite stable.
- Prashant Kutty:** Okay, so you have not been facing challenges in that.
- M. Chandru Kalro:** Yes.
- Moderator:** Thank you. The next question is from the line of Sanjaya Satapathy from Ampersand Capital. Please go ahead.
- Sanjaya Satapathy:** Sir, congratulations on a good set of numbers. Two things, I just wanted to know that for the last 5, 6 years, we have seen that while we have always aspired for this 15%, 20% kind of growth annually, it has been pretty volatile. I do not know whether that volatility is going to go away or not. But is there any way that your product range will be so better that that volatility will be far lesser going ahead?
- T. T. Jagannathan:** Well, the volatility has got nothing to do exactly with the product range. And if anybody can predict this, then we must go to an astrologer, I mean whether it is Apple or Ford Motors or Toyota or Samsung, nobody can predict volatility.
- Sanjaya Satapathy:** I am talking about..
- M. Chandru Kalro:** We can advertise to get growth. We can ensure that our pipeline of innovation is full. We can ensure that our distribution is maximized. We can ensure that our brand is built to its level. We can ensure continuously investing in that brand. Beyond that, if there are market factors which are beyond our control, there will be volatility. And what can be volatile, I do not think anybody can predict.
- T. T. Jagannathan:** And COVID for instance, it destroyed the market for 3 months.



*TTK Prestige Limited
February 10, 2021*

Sanjaya Satapathy: So my other question relating to that is, is there any big product gap or some category that you are really targeting going ahead? And my last question will be on the China sourcing shift that you were doing. Is that happening at similar cost or not?

T. T. Jagannathan: So the last question I'll answer, it is similar cost.

M. Chandru Kalro: Yes. And the product pipeline, we cannot disclose, obviously, for competitive reasons. But I can tell you, we are working on several new products.

Sanjaya Satapathy: Okay so essentially, the costing is not really an issue, it is just a matter of making it available in right quantity. That is what this kind of strategy is all about.

T. T. Jagannathan: Correct.

Moderator: Thank you. The next question is from the line of Nirav Vasa from Anand Rathi. Please go ahead.

Nirav Vasa: Sir, my question pertains to the price hike that we have taken so you informed that you have taken a price hike of around 9% in 2 tranches so would it be possible for you to bifurcate these price hikes into categories like pressure cookers and kitchenware, those kind of segmentations that would you be willing to share?

M. Chandru Kalro: We have taken in pressure cookers and cookware, we have taken price hikes of 5%. In some electrical appliances like mixer grinders which are as high as 20%. In gas stove, it is about 12% so on and so forth. So it is a cost base increase.

Nirav Vasa: Get your point so effectively, you are trying to say that the entire cost has been passed on, entire commodity inflation has been passed on to the channel partners? Am I right?

T. T. Jagannathan; So far, yes.

M. Chandru Kalro: Yes.

Moderator: Thank you. The next question is from the line of Koundinya Nimmagadda from JM Financial. Please go ahead.

Koundinya N: Sir, just a couple of questions so firstly, on the rural line of the modern format retail side so I just want to understand, a few quarters back, we had problems on the rural side and also the modern retail format side so can you speak a little bit about what we have done exactly to diversify our channel? And what is the current status on? What is the revenue mix from these channels?

M. Chandru Kalro: So in terms of large format, we have obviously broad based the number of accounts we are handling, which has happened but some of that sale which is lost in the first 2 quarters because the stores were not opened. The case with the MFI-based business because there was a



*TTK Prestige Limited
February 10, 2021*

moratorium and you know that collections were not happening, and only after the moratorium was lifted that they start lending again. And only after they lend will the MFI base business come to us. Now that business has started now. And it is coming up. It is getting to be a stable business as we are speaking. But there is no growth yet so we are still at about 60%, 70% of the overall pre-COVID level of MFI business that is there. And that also has moved from one category to the other so on and so forth. Even there, what we are doing is trying to get more accounts so that we can come back to the same pre-COVID levels of the rural MFI sales.

Koundinya N: Sir, in the press release, you did say that the retail channel is doing fairly well so you mean the other channels have done the MFI distribution, right?

T. T. Jagannathan: Yes. The other channels come again? What is the last bit?

Koundinya N: So in the press release, you did not mention that the direct retail channel is recovering well so is it a case where the MFI is lagging behind, but the rural channel has recovered completely?

M. Chandru Kalro: See regular rural channel through our general trade has come back into a good result.

Koundinya N: Okay. Sir, my second question is a little bit on the market share so if we were to compare ourselves with the other listed player in the cookers and cookware, since Q2 FY2018, we are a little bit lagging behind them. And of course, we did well in the current quarter so what is it that we are doing differently currently to tap the lost market share over here?

T. T. Jagannathan: We launched the new products in the segment, which has received very good response.

Koundinya N: And you believe that ratio would sustain going ahead, Sir?

T. T. Jagannathan: Yes.

Koundinya N: Understood. Sir, if I can ask one last question. Going ahead in the existing categories that we are there, are there any specific product categories where you think we are doing really well and specific categories where we are lagging behind? And if yes, what is the strategy in these categories? And can you speak a little bit about the new categories that we intend to enter as well?

M. Chandru Kalro: So we are doing extremely well in pressure cookers and cookware and gas stoves. We are doing very well in some more electrical appliances like mixer grinders in the open market.

Koundinya N:: Induction cooktops?

M. Chandru Kalro: We are doing exceedingly well in induction cooktops so these are things that we are doing very well. Can we do better? Yes, we could do better in kitchen hoods, for example. We would like



*TTK Prestige Limited
February 10, 2021*

to do better. We would like to do better in some more categories like rice cookers we are there. But there, our supply chain was disrupted so that is why this has happened.

Koundinya N: Okay. Sir, if I were to ask you to pick 2 or 3 product categories which are going to be the growth drivers for us going to, say, in the next 5 years, what would that be?

M. Chandru Kalro: I would not want to tell you.

Moderator: Thank you. The next question is from the line of Gagan Thareja from Kotak Bank. Please go ahead.

Gagan Thareja: Yes. Sir, first question is around the working capital in the e-commerce channel. Is it similar to the aggregate working capital or different?

M. Chandru Kalro: It is similar.

Gagan Thareja: Okay. Second question, data more or less covered all the categories you are present in. And they seem to have given the 5-year category growth rate nearing between 8% to 10% on an average. Do you concur with that assessment of category growth rates, in your element category?

M. Chandru Kalro: I'd like to think a bit better than that.

Gagan Thareja: Okay. And since you aspire to north of that, probably 15% odd, that figure and aspiration is well taken. But what would drive that, if you could give some idea how we want to actualize that aspiration?

M. Chandru Kalro: As I said, do the basics right, get the innovative products in, build your brand, get the distribution at the right place and make sure that the customer is on your side.

Gagan Thareja: Okay. And new products that you indicated contributed to growth in this quarter, if you could give the addressable market size of those products and some relevant competition if you relate to all those?

M. Chandru Kalro: What was the question?

Gagan Thareja: You indicated that you have launched new products, which has helped growth in this quarter. If you could give some idea of the addressable market size of these products?

M. Chandru Kalro: So we launched some new casserole, as I said, which was thermoware casserole and stainless steel. We believe that that is a reasonably good market, which can give us about Rs.30 Crores, Rs.40 Crores of turnover in a year. In the next 6 or 8 months, we should be at that kind of run



*TTK Prestige Limited
February 10, 2021*

rate. And then we have launched new stainless steel cookware, which is a larger market, and the addressable market there could be Rs.200 Crores, Rs.300 Crores.

Gagan Thareja: Okay. And I think earlier in the year, we also entered the dishwashers category, and you also started out a distribution outlet in Bangalore for chimneys and built in hobs and dishwashers. If you could give some idea of how that those categories are panning out for you?

M. Chandru Kalro: So these are new store formats which where we tried our hand at seeing how we can premiumize Prestige through high-end appliances through specific stores like this; this format is work in progress. Right now, we are just testing the concept out. We have only done it in Bangalore. We have done it only in the last few months. We need some more time to come back on that.

Gagan Thareja: Okay. And Horwood has discontinued its JV. I do not remember the name of the company with whom the JV was. But you indicated, I think, in a press release that it would lead to significant overhead savings. If you could quantify that number.

T. T. Jagannathan: Shankar?

K. Shankaran: Ecousoul Life JV caused a dip of close to 3% at EBITDA level of Horwood. Now Horwood will get back to double digit levels in the coming quarters

Gagan Thareja: Okay so that is material savings. Finally, the clean products category, if you could give us some idea of how it is evolving. How the growth has been YTD? And what are your aspirations there?

M. Chandru Kalro: So cleaning, we have done exceedingly well. We have been about 70%, 75% growth YTD. Though I think in the last couple of months, it has slowed down a bit. It is coming down to more stable levels. As soon as the lockdown opened, it was a very good unlock category. Going forward, we expect it to give us significant growth from here also because the base is still small and we are still adding new products there.

Moderator: Thank you. The next question is from the line of Sanket Goradia from VEC Investments. Please go ahead.

Sanket Goradia: Team congratulations for a great set of number. It will be helpful, if you could give us what has been the volume growth category-wise? And secondly, you have mentioned that some of the new categories have done really well for us. Could you elaborate a little bit more on that? And at which pace they lie? And what is really taken care in terms of the product launch?

M. Chandru Kalro: In terms of volume growth, I would not want to give you the exact numbers on growth, but I can tell you they are significantly high in the double digits.



*TTK Prestige Limited
February 10, 2021*

- Sanket Goradia:** But you have the value growth are in the gist.
- M. Chandru Kalro:** Yes. The value growth you are seeing in the gist so you can see that is given quite clearly there.
- T. T. Jagannathan:** And is only 24%. An average price increase of 8% to 9%, the volume growth should be around 16% on an average base.
- M. Chandru Kalro:** No, no, even the 9% growth was towards the end of the quarter.
- M. Chandru Kalro:** So volumes could be very close to the value growth in terms of those numbers are there, indicative there.
- Sanket Goradia:** Yes so you actually mentioned that some of the volume growth is led by new product launches. Could you speak a little more on what products peaked for us this quarter?
- M. Chandru Kalro:** So we have launched a Svachh range of pressure cookers a few quarters back. We obviously started getting traction in almost all channels because of that. We have launched new stainless steel cookware. We have launched the new gas stoves and some new mixer grinder models and a couple of wet grinder models.
- T. T. Jagannathan:** And the casseroles.
- M. Chandru Kalro:** And the casseroles
- Moderator:** Thank you. The next question is from the line of Ekta Sanghvi from Vallum Capital. Please go ahead.
- Ekta Sanghvi:** Sir, could you give the number on the contribution of MFI sales to the total revenue currently?
- M. Chandru Kalro:** Very small. I think it is between 3 and..
- K.Shankaran:** It is about 4%.
- Ekta Sanghvi:** This was before pre-COVID?
- T. T. Jagannathan:** Yes. It is around 4% to 5% of our total turnover, which is similar to what we had pre-COVID.
- Ekta Sanghvi:** Okay. And so now that your MFI issues have been resolved and it has started picking up again, would you expect like what level can you expect this to go at in the next 2 years?
- T. T. Jagannathan:** We had no issue with MFIs to resolve.



*TTK Prestige Limited
February 10, 2021*

- Ekta Sanghvi:** I mean, Sir, you said, right, that MFI channel has just started and because of the moratorium, there was...
- T. T. Jagannathan:** That is correct. Now that issue is with us.
- Ekta Sanghvi:** I am sorry for the words so what level could we expect this to go at in the next 2 years?
- K. Shankaran:** We had been talking about direct rural in the past, which we are going through partly through MFI and other channels also. We believe there is a good future in this particular direct rural sale given that the government is going to spend a lot of money in the rural sector as per the budget ; so it is going to be one of the growth drivers going forward.
- Ekta Sanghvi:** And currently, Sir, what would be the contribution of our revenue from urban and rural, could you give a break up?
- M. Chandru Kalro:** We cannot give you that break up.
- K. Shankaran:** It is a direct rural 5%, balance 95% can comprise of some rural sale out of satellite towns.
- M. Chandru Kalro:** Yes, exactly. And I do not know how much of e-commerce is going into the rural area so how much of the Tier 4 town sale is going into the rural areas. I'll never know that.
- Moderator:** Thank you. The next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.
- Shrinidhi Karlekar:** Congratulations on great set of numbers. Sir, just a couple of questions from my end on e-commerce. Sir, you said that about 16% odd, the company's revenue comes from e-commerce channel. Sir, do you get to know which area eventually a product is going, like at least pin code level? Or it is just that you are selling it to Amazon or Flipkart and that is the only information that you get?
- M. Chandru Kalro:** See, we have 3 ways of selling on the platforms. One is we ourselves as a marketplace account; second, from our website directly to customer; and the third is through the platform through their firms. What they sell through their firms, they give us a broad outlook. We will not get an exact outlook. What we get through the marketplace, we again get some details there. But it is safe to say that the smaller towns have grown faster this year than the bigger towns.
- Shrinidhi Karlekar:** Okay. Fair enough, Sir. And the second related question, Sir, you have a large presence in e-commerce channel so just wondering, how do you see is the consumer behavior of an online buyer and an off-line buyer different? I want to more answer from a two perspective in terms of product buying is online more mass affordable product while the offline is more premium?



*TTK Prestige Limited
February 10, 2021*

And is the brand loyalty is less of a concern for online buyer compared to offline buyer, if you could answer that?

M. Chandru Kalro: In fact, I believe that the online buyer and the offline buyer are two same people. It all depends on comfort levels. Today, what is happening is most of the product research is not happening by browsing in the store and the offline store. That browsing is happening on the platform. If they are happy with the information they have and they do not need to touch and feel, they will buy it on the online platform.

K. Shankaran I am buying both online and offline personally.

M. Chandru Kalro: Exactly so if you want to see that, no, no, I need a touch and feel, I would not buy a shoe without seeing whether it fits my foot correctly, then you are not the kind of guy who would buy online so I mean it is all about personal habits. A lot of people buy online and offline depending on the category that we are talking about so really, I think it is the same customer. And these habits are starting to stick now because COVID has lasted for so long.

Shrinidhi Karlekar: My question if you see reviews and some of the ratings, some of the brands which are quite small on the offline channel, but appears to be at a lot of good reviews as well as a number of reviews are quite significantly disproportionately higher compared to a national player like TTK so just I wanted to understand is the buyer extremely price-sensitive on e-commerce? But you would say it is not that way.

M. Chandru Kalro: So it depends again on the customer, right? I mean if there is a very price-sensitive customer who does not care what the product is and he says, I'll buy it as long as it is functionally okay, then that person will go there.

T. T. Jagannathan: See that keeps changing.

M. Chandru Kalro: And that you and I both know how to use and manage.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for their closing remarks. Thank you, and over to you.

M. Chandru Kalro: Ladies and gentlemen, thank you very much for the keen interest shown in the company. We have genuinely had a good quarter. We are seeing good trends going forward. The brand is strong, and we have got many new products coming forward so hopefully, we'll keep up the good work as we have done in the last few quarters. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Ambit Capital, that concludes today's call. Thank you all for joining us, and you may now disconnect your lines.