



“TTK Prestige Limited 1QFY2021
Earnings Conference Call”

August 10, 2020



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*TTK Prestige Limited
August 10, 2020*

Moderator: Ladies and gentlemen, good day, and welcome to TTK Prestige Limited Q1 FY2021 Earnings 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. Dhruv Jain from Ambit Capital. Thank you and over to you Sir!

Dhruv Jain: Hello, everyone. On behalf of Ambit Capital, we welcome you to today's 1QFY2021 earnings call of TTK Prestige. We have with us the management of the company. Over to you Sir, for your opening remarks.

Chandru Kalro: Welcome, everybody. As you know, we have just had a very difficult quarter because of the Covid situation, wherein almost more than half the time was lost during lockdowns, but the good news is that our category seems to be doing quite well and even though many of the channels were not functional during the period after opening, in June, we have exceeded 90% of the June of last year in terms of demand, even though only 60%-odd of the channels were working, which means that the existing channels, which we were working have done better, and we have managed to show a positive EBITDA during the quarter. We have used the quarter to do many initiatives to take the company forward and during this quarter, while not reducing any manpower or not holding back any payments due to salaries, we have still managed to bring down the breakeven of the company through improved efficiencies and some very good measures that we have taken. We have used digitization across the organization to see that the company is in a very good position to sustain the business in these times and we are seeing that going forward, we are in a good position to take advantage of the channels that are already open as well as the channels that are going to open. I will leave the floor to any questions now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta: Sir, you have pointed to encouraging growth across channels that have opened in July. Could you share what percentage of channel is now open and what growth are we trending at in July?

Chandru Kalro: First, the channels that have not opened are the large modern format channels because the malls, as you know, have not opened. The general trade has opened in most markets, of course, with the lockdowns coming in on and off. Our own exclusive PXL channel has opened in the markets which have been allowed to open and both these channels have shown a growth, actually a double-digit growth during this period. E-commerce, of course, has surged ahead. E-commerce has been doing exceedingly well ever since it has started and going forward, we are expecting that the modern formats will open slowly, and then we will probably get them back also. But so



*TTK Prestige Limited
August 10, 2020*

far, we are seeing that without some of these channels, we are actually at 90-plus percentage of our normal sales, with less than 2/3 of the channels really open.

Avi Mehta: Okay. So with less than 2/3 channels open, you are already at 90% plus in July?

Chandru Kalro: Yes.

Avi Mehta: Okay. Sir, the cities are still improving as we speak? Or how is that? Kind of because there have been vertical lockdowns that have been introduced recently. So I just wanted to kind of get that as well?

Chandru Kalro: The new lockdowns are not so bad because most of the markets are allowing shops to open for a specific period during the day. Maybe they are having a couple of days' lockdown like it is there in West Bengal, etc. But we are managing. We are seeing that when the stores are open, there is enough crowd in the market. People are looking at coming to the market and buying, and we are seeing some substantial off take there with them. And the key measure I see is when we sell and if we are able to collect the money on time, it means that the sale is quite robust and sustainable.

Avi Mehta: Fair point, Sir and sir, second is, if you could elaborate, you have said 2 comments that I wanted if you could elaborate. One is the channel changes in the post-COVID world, which you have done. And two, what are the various programs that you have undertaken to reduce this breakeven point that you talked about?

Chandru Kalro: So I mean, online, clearly, from about 10% to 12% has now gone to about 25% of our total sales during this period. But I think that is to do more with the buying habits which have come because of this fear of going outside. But even with the general trade because the modern format is closed, the business has moved to the general trade and to our own exclusive channels. So that is why we are looking at some good sales. In terms of the measures that we took, obviously, we are looking at enhanced productivities in our manufacturing. I am very happy to report that all our 5 units are working as soon as the lockdowns opened in May. All the 5 factories are working. We started with one shift because that was what was mandated. Now wherever necessary, we are able to operate multiple shifts also. We are in a position to keep the supply chain going and we will be in a good position to come to the season.

Avi Mehta: Sir, this channel changes you are meaning and you meant the mix or you are doing something specifically for the channel as well as you already just mean that GT, exclusive and online are the ones that are giving? I just wanted to kind of confirm.

Chandru Kalro: Yes. GT, exclusive and online are the ones that are operational at this point in time and what we have done is with the online platforms, we have had a full-fledged joint business plan done with them and we are going as per that plan. There are a lot of digital initiatives, which we are taking with enhanced digital advertising and the idea is to dominate the marketplaces that are open. On the other front, we have gotten the channel financing for our distributors also to make sure that



*TTK Prestige Limited
August 10, 2020*

the collections happen and we are also working very hard to see that their secondaries are also collected by working along with them. There are a lot of initiatives like since people cannot travel, we have digitized a lot of our internal processes so that they can continuously service these channels.

Avi Mehta: And Sir, these channels' financing is done through our books or anything like that or no, nothing of that sort of? Is there a recourse?

Chandru Kalro: No. We have got finance of NBFCs to finance them. There is no recourse to us.

Avi Mehta: And Sir, lastly, you said that you have optimized the channel inventory. Does that mean that there would be a divergence between primary and secondary sales in the quarter?

Chandru Kalro: No. I did not say optimized channel inventory. What I said was we optimized our own internal inventories. Obviously, we needed to make sure that we are in a position to supply-demand. As soon as the lockdown opened, we did see a lot of pent-up demand and we had stock for that because, remember, we were locked down in the middle of March. So there was enough inventory and subsequently, after the pent-up demand has been satisfied, our factories are in full flow. So there is no problem in terms of supply chain.

Avi Mehta: Sir, channel inventory is flattish, Sir or how would you pull that, Sir?

Chandru Kalro: Channel inventory in my mind would have reduced a little bit, but it is not in a very bad situation. It is quite healthy.

Avi Mehta: Okay Sir I will come back in the queue for other questions.

Moderator: Thank you. The next question is from Aditya Bagul from Axis Capital. Please go ahead.

Aditya Bagul: Sir, I have two questions. Firstly, just wanted to understand from a gross margin perspective we have seen a reasonable drop in terms of gross margin. So can you allude what could be the reason for that is question number one and question number two is, if you could probably talk about the 3 large segments that we have, pressure cookers, cookwares and appliances. How was the consumer behavior during the lockdown; right now, what we are seeing in July, August; and what you envisage over a period of the next 3 to 6 months?

Chandru Kalro: So the answer to the second part of your question first. When the lockdown opened, we saw a surge in electrical appliances. We saw in, for example, mixer grinders; for example, gas stoves; for example, baking products; baking products, in particular; cleaning products, in particular. There was a huge surge in demand for these. The nonstick cookware, there was a huge surge in demand. So the product mix per se has changed a little bit. But that is, I think, going to stabilize going forward back to its old levels as we go along and therefore, because of the mix change, you will see that the material cost ratios have slightly gone up. But the overall margins that have gone



*TTK Prestige Limited
August 10, 2020*

down is because that the operating leverage has come down, given that we had only 1.5 months of operation. Otherwise, there is nothing serious that has happened.

Aditya Bagul: Understood, Sir. So the gross margins are purely a function of a product mix change in the favor of probably appliances?

Chandru Kalro: Absolutely.

Aditya Bagul: Yes. Understood. So Sir, could you also elaborate a little in terms of how you are seeing the second half of the year pan out? What do you envisage that the environment would be probably towards Diwali or later half and secondly, if you could probably talk about, if you are seeing a difference between the northern part of India and the 4 southern states?

T. T. Jagannathan: Second half sales, we are looking at being as good, if not better than last year because of the pent-up demand, the weddings and all that will move into second half. Chandru?

Chandru Kalro: Yes. The weddings have all postponed to the second half and therefore, we are quite optimistic about the second half. Secondly, Diwali this year is in November and the right bang into the third quarter. So I think that is a good thing for us normally. The third thing that I'm seeing is if you look around because of all these work-from-home and whatever has happened, and also, I also believe that in most of the people's homes because they are not eating out, they're not going out on holidays, they are not going for movies, there's an increase in disposable money that is available with them and so we are quite optimistic about our own categories. And if you see, most of the categories have bounced back even better than people had expected. So right now, it is all a question of how much portion of the market is open, how many channels are open. The demand, I do not think is going to be an issue, and the second half is going to be quite good.

T. T. Jagannathan: And there is no big difference between north and south. There was in the beginning because south market was opened before the north market, but now it is evening out.

Chandru Kalro: Thank you.

Moderator: Thank you. The next participant is Achal Lohade from JM Financial Service Limited. Please go ahead.

Achal Lohade: Sir, my first question was, in the press release, you have talked about rural being soft. What we've been hearing is that rural is usually doing better than normal so just thought of getting some more color from you on the rural front.

T. T. Jagannathan: Well, see, let me answer that question. When we say rural, we mean what goes through MFIs. We don't mean the rural market per se. The rural market per se that has been dealt with by the tier 4 towns has been very strong. But the MFIs because of the moratorium and loans and so on, they have not opened up their loan books yet, and they're not giving new loans for the durable



*TTK Prestige Limited
August 10, 2020*

purchases, but that will start happening this month or next month that is what we mean by rural sales are soft. It is the MFI-routed rural sales.

Achal Lohade: Understood. But otherwise, ex of MFI, I mean, how has been the trend in the tier 2, tier 3 towns?

T. T. Jagannathan: Good.

Achal Lohade: Understood. Secondly, with respect to the A&P cost, has there been any reduction on a Y-o-Y basis with respect to A&P cost for the quarter?

T. T. Jagannathan: Chandru?

Chandru Kalro: Yes. This quarter, we have slightly reduced the A&P. Normally, what happens is we spend on a steady-state basis. We are happy to tell you that unlike other peer groups, we have continued to advertise. We launched a full-fledged exchange scheme during the quarter because we believe that was the need of the hour for many people as soon as people came out of the unlock. But in an overall percentage, it was slightly lesser because the amount of time we had to advertise itself was lesser. But we have advertised in all media. We have advertised in newspapers. We have advertised in television. We have advertised in digital. Going forward, the advertising numbers will come to similar to what it was last year. But for the first quarter, I think this was a lesser advertising period.

Achal Lohade: So would it be fair, Sir, that it would have gone down to, as a percentage of revenue, maybe around 4%, 5% or it was still percentage terms similar?

Chandru Kalro: As a percentage of revenue, if I were to look at around 4%.

Achal Lohade: Compared to 6.5%, 7% in the base quarter in Q1 FY2020.

T. T. Jagannathan: Yes.

Achal Lohade: Understood. Another thing was with respect to the employee cost. So how do we look at this? Is it entirely to do with the less incentives because of the lower sales? Or has there any cost optimization on the employee cost front?

Chandru Kalro: Actually, what has happened is after we opened the factories, the casual labor was employed there based on the number of shifts that we were operating. So there is some temporary manpower that got reduced, which is what has caused the reduction in the employee cost.

T. T. Jagannathan: Yes. And also remember that all travel has come down.

Chandru Kalro: Yes.



*TTK Prestige Limited
August 10, 2020*

- Achal Lohade:** Okay. With respect to capacity utilization, can you help us with the July capacity utilization, Sir?
- Chandru Kalro:** July, we are talking about somewhere near 80%.
- Achal Lohade:** 80% and when you say 2/3 of the market is open, I mean, is it largely the large retail format which is shut, which is driving this 1/3 reduction? Or it is more than that?
- T. T. Jagannathan:** That and lockdowns. Every now and then, there is one. For instance, particularly the city market in Bangalore is still in lockdown, and that's a very important market and we are not able to predict. we cannot tell you exactly what percentage we lost because of lockdown because we do not know where it will be lockdown, when it will be in lockdown.
- Achal Lohade:** Right and you mentioned about 80% capacity utilization, but as a percentage of, let us say, July sales of last year, have we reached to that number pre or rather last year July number? Or it is a little less than that?
- T. T. Jagannathan:** You want July, that is around this quarter?
- Achal Lohade:** Yes. I mean some of the companies are commenting about how the July month has been?
- T. T. Jagannathan:** July month has been good, but I don't think we can give you numbers for this quarter.
- Achal Lohade:** Okay that is fine and with respect to the raw material prices, have you seen increase in the raw material prices in last couple of months as the commodity prices have moved up? And b, is there any plans of price increase and if so, when and how much now?
- T. T. Jagannathan:** Actually, our main commodity is aluminum. It has not moved up. It is rather flat. There is a marginal increase in stainless steel, but it is not enough to have price increase.
- Achal Lohade:** That is helpful Sir. Thank you and I will come back in the queue.
- Moderator:** Thank you. The next participant is Chirag Shah from Valuequest Investment Advisors. Please go ahead.
- Chirag Shah:** Sir, my question was on cooker segment. We have de-grown by around 59% in the quarter. When we look at your competitor numbers, their decline is around 30% and in Q4, if I remember correct, you have said that our new range of Svacch should do good in Q1, Q2 of this year because we missed some channel filling at the end of the March. So we have not seen any reflection of those in our numbers. So what has led to such decline? And how you look cookers segment doing going ahead?
- Chandru Kalro:** The sale has declined. But I do not think there is any structural change. Svacch is doing quite well in the market. It accounts for more than 90% of our sales today in terms of a platform. We



*TTK Prestige Limited
August 10, 2020*

have also advertised during this quarter. I do not want to comment on how our competitor has performed. Maybe it is a function of many things. Their own internal promotions, maybe the way they have done with what they have done with the balance orders of the fourth quarter. There are so many factors that go in. At a retail front, we are seeing quite buoyant performance of our pressure cookers. There is nothing wrong with it. It is a question of ups and downs in the quarter. I think we should wait for some more time. This is not exactly a period where things have been normal.

Chirag Shah: Okay. But do you think we have lost some market share in the last couple of quarters? Or you still believe that we have been maintaining our share or our share would be going up?

Chandru Kalro: I believe we have been maintaining our share. We may not have yet gained share, but I think we are maintaining our share.

Chirag Shah: Okay. And Sir, second question on others category. So in Q4, again, you have mentioned that demand for cleaning solution, etc, have gone out of roof. But when we look at this quarter number, on a lower base also, we have not seen much traction, and the decline is similar to what has happened to others category. So again, how we should read this performance here?

Chandru Kalro: I do not think that is correct. Cleaning solutions, as a vertical, has done more than last year in this quarter for the same quarter, which..

T. T. Jagannathan: 1.5 months.

Chandru Kalro: And we had only 1.5 months to do that. In fact, it is the only vertical which has grown over last year.

Chirag Shah: So what has led to them decline similar so overall Rs.10 Crores revenue versus Rs.17 Crores, which is...

T. T. Jagannathan: Which is affecting increase?

Chirag Shah: In others category, overall revenue is down by 41%, Rs.10 Crores versus Rs.17 Crores so what if kitchen cleaning solution has done extremely well, what has led to the decline then?

Chandru Kalro: I do not know whether there is a classification issue here. But let me tell you that cleaning solutions has grown over the previous year in absolute numbers in this quarter.

Moderator: Thank you very much. The next question is from Tejas Sheth from Nippon India Asset Management. Please go ahead.

Tejas Sheth: Sir, any idea the markets which are under lockdown, are they getting serviced through e-commerce channel?



*TTK Prestige Limited
August 10, 2020*

- Chandru Kalro:** I think so, yes, definitely.
- Tejas Sheth:** Okay then the 2/3 of market opening and we are recurring this kind of sale should not matter. We should not be linking it to that because the same is getting service through e-commerce. So the demand is kind of channeling itself through other channels?
- Chandru Kalro:** No.
- T. T. Jagannathan:** No. Please do not misunderstand. You are quite right that if a market in Calcutta closes, certainly some people are buying through e-commerce. But it will start replacing markets that close, it is fair or not.
- Tejas Sheth:** So Sir, what I am saying, a genuine demand, which needs to be get serviced, a person who really wants to buy something will go through other channels so whether this demand is getting service through...
- T. T. Jagannathan:** Just to interrupt you, there is a large percentage of population that still does not use the online channel.
- Tejas Sheth:** Okay. No, then did not have we surged in the online share from 10% to 25%?
- T. T. Jagannathan:** There is also a large percentage that uses the online channel.
- Tejas Sheth:** Okay, Sir any category of the products, which are seeing a larger jump in the online channel sales?
- T. T. Jagannathan:** It is across the board.
- Tejas Sheth:** It is across board and the margin profile for us in online channel is not lower than the brick-and-mortar?
- Chandru Kalro:** No. It is similar to, let us say, the modern format channel.
- Moderator:** Thank you. The next question is from Harsh Kumar Dhanuka from SAL Group. Please go ahead.
- Harsh Kumar Dhanuka:** Just wanted to understand, because there is a lot of things we are seeing from a consumer behavior perspective, people going for value products than for premium products. So any trend seen from that perspective?
- T. T. Jagannathan:** I do not see such a trend.
- Chandru Kalro:** In fact, if you ask me, people are going for brands which they are comfortable with after sales service and I think we score there.



*TTK Prestige Limited
August 10, 2020*

Harsh Kumar Dhanuka: Okay another piece in terms of products like fruits and vegetable cleaner and all of that. There is a lot spoken about post COVID and people are going for hygiene products. So any kind of spurt in demand or any response on that products and are we moving into new SKUs on these anything on the sanitization or on the health side per se?

Chandru Kalro: Yes. The fruit and vegetable cleaner, for example, has almost tripled during this quarter and yes, we are working on new products in the sanitization space.

Harsh Kumar Dhanuka: But do we see that, expect that in this quarter, Q2?

Chandru Kalro: I cannot tell you that as of now because we have not yet finished with the development.

Moderator: Thank you. The next participant is Kunal Sheth from B&K Securities. Please go ahead.

Kunal Sheth: My first question is relating to the pressure cookers segment. Sir, what are the time lines for this ISI marking for the pressure cooker and do you see any major benefits rising out of that compulsory ISI marking for industry as well as yourself?

Chandru Kalro: I think the government has now pushed that date to February, if I am right.

T. T. Jagannathan: March.

Chandru Kalro: So but yes, I mean, what the ISI would do is basically bring about some standards, but we are not very sure how they will implement it because they have to now build a full-fledged infrastructure for certifying factories that is why probably they have also asked for time. But I think it is good that they will standardize this. It is good for us. It is good for everyone.

T. T. Jagannathan: If they make ISI compulsory and monitor it so that all cookers have ISI, then the unorganized sector would virtually vanish. It will be very good for us. If implementation is weak or there is compromise on ethics, unscrupulous will continue to exist.

Kunal Sheth: Okay. So basically, implementation is the question mark at this point in time?

T. T. Jagannathan: Yes.

Kunal Sheth: Okay and Sir, my second question is on the cookware segment. The cookware segment had large imports coming out of China, which were largely cheaper than Indian counterparts as well as unorganized sector so do we see that trend changing, imports from China reducing in the cookware segment post and also in unorganized players slightly suffering post COVID? Or you don't think that's going to happen?

Chandru Kalro: Nonstick cookware imports are now discouraged because they have increased the duties for cookware imports into India and after that duty increase, China no longer is competitive with



*TTK Prestige Limited
August 10, 2020*

respect to India on a cost basis that is one. Second thing is, as far as Indian consumer is concerned, he is concerned about what goes into the nonstick cookware and I think there brands will score over these unorganized players, and we have been seeing that nonstick cookware is going towards brands as we are going along.

Kunal Sheth: Okay and Sir, how large was Chinese imports and unorganized markets in the nonstick cookware market?

T. T. Jagannathan: In India, that kind of data is simply not available.

Kunal Sheth: But is it safe to assume that large part of the market will be in unorganized and imports and organized will be still at

T. T. Jagannathan: No. It is not safe assume that at all.

Chandru Kalro: Less than 1/3 is in the unorganized space today in the nonstick cookware business.

T. T. Jagannathan: And even that, it is now mostly made in India.

Moderator: Thank you. The next question is from Manish Poddar from Nippon India. Please go ahead.

Manish Poddar: Sir, just wanted to get 2 things. First is, from your view, how big is the online category before COVID for the segments you are catering to?

Chandru Kalro: That is very difficult because the GMV is never disclosed fully. But I can tell you, relatively speaking, between last year and this year, you are looking at a doubling of what kind of goods they are passing through that online channel. Probably, they have gone up by 2, 2.5x post COVID.

T. T. Jagannathan: In our category.

Manish Poddar: And would you be reaching across pin codes? Or right now, you are reaching only to certain parts of the entire country. Because I believe they do not sell really products where after sales is not available.

Chandru Kalro: We are reaching wherever Amazon delivers, which is 99% of all pin codes in country.

Moderator: Thank you. The next question from Manoj Shah from Lasco Investments. Please go ahead.

Manoj Shah: My question is with respect to your like cookware and cookers in terms of appliances. So how much is manufactured at Prestige plant and how much is contract manufacturing done in India?



*TTK Prestige Limited
August 10, 2020*

And how much percentage is imported maybe you can give a figure not for this quarter, for the whole last FY2020?

Chandru Kalro: So all our kitchenware products, which is pressure cookers and cookware is manufactured by us inside our factories, right? And all gas stoves, all mixer grinders, all induction cooktops are manufactured in India through our dedicated vendor base. The total imports from China contribute to less than 10% of our turnover and we have made an official announcement that we are going to stop finished goods purchases after September from China. And we are, at this moment, busy moving all those production lines to India, tooling up so that for the second half, we will start manufacturing through our vendor base so the imports are virtually nothing. The only imports that will happen are probably a few components here or there.

Manoj Shah: Will it impact your manufacturing or cost of production?

Chandru Kalro: No. Our costs are quite competitive vis-à-vis whatever landed costs are there. So I do not think that should be any issue.

Manoj Shah: And how do you see the industry landscape changes in terms of this stand down on imports from the neighboring country and Aatma Nirbhar Bharat campaign? How do you see the industry changing?

Chandru Kalro: It is good for Make in India. I think the more we Make in India, the better off we are. And I think we will be also in a position over a period of time to address exports because of this. So it is good for everybody. I think, overall, there is a very big anti-China sentiment in the consumer's mind, which is only getting worse. And moving production to India is going to do us good as a brand.

Manoj Shah: Like, Sir, in your case, 90% we are procuring either from your plants or from the contract manufacturers in India so the unorganized, they are importing it from China or other countries, do you think we are going to benefit because of this or how do you see it?

Chandru Kalro: We are going to benefit because of this because there are many non-tariff barriers that the government is continuously coming up with. Last year, they clamped down with ISI on all motorized appliances, which means you cannot import anything. Slowly but surely, that is what the government is doing on various categories of products. And I think we have an edge over others because we have started this movement 3 years ago.

Moderator: Thank you. The next question is from M Balachandran from Goldstar Investments. Please go ahead.

M Balachandran: Yes. I have 2 questions. One is regard on this issue of pent-up demand. Now you have 2 types of pent-up demands, one where the customer has the money ready to buy, but channel is not able to deliver. So that is just a question of time. If not this week, next week. The other type of pent-up demand is where people are not able to buy because credit facilities are not available. Now could



*TTK Prestige Limited
August 10, 2020*

you throw some color on this pent-up demand, which you are forecasting where credit facilities are not available and how you expect this to turn out?

T. T. Jagannathan: As far as the urban market is concerned, today, credit facilities are freely available. In fact, Bajaj Finserv has made a statement saying their lending has come down because there is no demand for credit facilities.

M Balachandran: Okay and my other question is regarding metal prices. Now people in the metal business are forecasting increase in metal prices. What is your own take on this? And how do you think it will affect us?

T. T. Jagannathan: I do not think that I can predict any metal prices. I have been in the business for 45 years, and I have never got it right. As far as we are concerned, if metal prices go up, we put our prices up.

Moderator: Thank you. The next participant is Achal Lohade from JM Financial Services. Please go ahead.

Achal Lohade: Can you help us on the export front, you have been positive for a while. So where are we on the export? Are you seeing even postponement out there and yes, is there any country or customer, which we can look at incrementally which can...

T. T. Jagannathan: Achal, honestly, let me tell you, export is going to limit my capacity. The demand is there today. And we are in the process of building more capacity to cater to the export.

Achal Lohade: Okay. But given our capacity utilization is less than 100%, right? I mean we are at 80% or more is the limitation in..

T. T. Jagannathan: No. One minute. 80% as a company. 90% of our exports is cookware, where we are producing to 100% of capacity.

Achal Lohade: Right. So what is leading to a delay in setting up, we have the locations, right? Or you have to put up a greenfield now?

T. T. Jagannathan: No. We have got the land. We have got the building. We have got everything. Achal, when I get up in the morning, and I say, hey, set up a dancing light for 5 million people, it does not happen by that evening.

Achal Lohade: I know. But what kind of time line one should look at? And what kind of exports momentum we should really build in the numbers? Would it be...

T. T. Jagannathan: We are looking at doubling exports from last year. And it will probably start around the third quarter.

Achal Lohade: And is it to any particular geography? Or...



*TTK Prestige Limited
August 10, 2020*

- T. T. Jagannathan:** No. It is across the geographies.
- Achal Lohade:** Across geographies. That is great. Number two, with respect to, quite a few companies are talking about online to offline format that the local vendor actually services the demand generated online. Is there anything we have worked on and if you could give some color on the same?
- T. T. Jagannathan:** Chandru, would you like to cover for online channel?
- Chandru Kalro:** We are working on a national omni channel. We have already conceived the whole project. As we speak, we are on course to putting that in place. It should take us 3 to 4 months to put everything in place. We have a nationwide outlet base of our exclusive outlets, which we will use for this omni channel. We are also looking at WhatsApp-assisted e-commerce for hyper local delivery. Both these are underway as we speak. It should take us between 3 to 6 months to put everything in place.
- Achal Lohade:** The other question I had with respect to online, is there any differential product or pricing strategy out here? Or it's the same products which are available offline are available online?
- Chandru Kalro:** So we have 2 types of things. One is we have online exclusives, which we talk to the platforms and create for those platforms, which they sell. They also sell the range because both the platforms have realized that if they do not keep the range, it is not going to be right. And both are selling, therefore. We do have exclusives as well as the range. As we speak, we have also made sure that the pricing is common across channels for the range, which is common across channels and the exclusives is a separate pricing.
- Achal Lohade:** Got it and just last question. With respect to stainless steel, a, have you seen any significant pickup in the stainless steel vis-à-vis the aluminum cooker cookware? Or it is not much of a difference between the two?
- Chandru Kalro:** See, over a period of time, stainless steel has started gaining ground, especially in pressure cookers. That is one. Even in cookware, there is a lot of value-added cookware that is starting to come up in stainless steel. And as you know, we have just commenced a full line in Gujarat for stainless steel cookware right now. And we are also getting into manufacture of 3-ply cookware in stainless steel, which is also happening. Having said all this, this year has been a pleasant surprise on nonstick itself or with aluminum-coated cookware. So overall, the cookware business is looking very buoyant.
- Achal Lohade:** Would you be able to give some color. Just last extended question on the same in terms of the mix from stainless in cooker and cookware, Sir?
- Chandru Kalro:** For us, it is still 85-15. But we expect stainless steel over a period of time to go up slightly.



*TTK Prestige Limited
August 10, 2020*

- Achal Lohade:** And that is the same for cooker and cookware, both?
- Chandru Kalro:** No. For cookers, it is much more than that. For example, in cookers, it is about 35% is now stainless steel.
- Moderator:** Thank you. The next question is from Charanjit Singh from DSP Mutual Fund. Please go ahead.
- Charanjit Singh:** Sir, my question is on the kitchen appliances front. If you can just help us understand any new product categories within kitchen appliances, which should be keen to bring in? Plus, in terms of the service aspect during this now lockdown or in this time, how you are managing that, specifically in the kitchen appliances?
- Chandru Kalro:** So I will answer the second question first. On the sixth day of the lockdown, which was in March itself, our CRM started working, our call centers started working, and our agents started taking calls from home. We quickly set up a home-based support system for people to get technical support to solve problems over the phone, if possible. And we kept the calls pending only if that was not possible. The spare parts supply right across the country has been made available. We have used again electronics, I mean, the technology to make sure that the turnaround times for spare parts and everything else is done properly. And our service is well in fact, the customers have appreciated how much we have done during the lockdown and post the lockdown immediately. We have even run van services wherever it is required, where complaints had become more after the lockdown. So customers have really appreciated us for that.
- Charanjit Singh:** And Sir, within the kitchen appliances, which are the new product categories which are we looking at? And we have also been hearing some of the other players ramping up on the kitchen appliances side very aggressively, and it has been a success on their part. So have you seen any kind of a market share push in these categories?
- Chandru Kalro:** No. I think we have launched enough new products in the last year. This year also, we have launched in the first quarter several new products. We are not launching new categories, but we are launching new innovations within the same categories because we are present across categories, I do not think there is any category where we are not present as far as appliances are concerned for the kitchen. And you know, during this quarter, we have also launched a new retail format called Prestige Lifestyle, where we have launched in Bangalore with some specific built- in appliances as well.
- Charanjit Singh:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from Nikunj Bahety from LIC Mutual Fund. Please go ahead.
- Nikunj Bahety:** My question is regarding that in the press release, we have mentioned that during this quarter, we have launched approximately 38 new SKUs. So with respect to these SKUs, you have mentioned that they were mainly for execution part. So were they centric to the urban population or this was



*TTK Prestige Limited
August 10, 2020*

one step for our realization of growth through the rural and export market if you could throw some light over there and going ahead what would be our strategy of launching new SKUs for the rural and export markets sir? This is my question.

Chandru Kalro: The new SKUs that we have launched during the quarter are to enhance the range of the existing category. We have catered to the entire domestic market it is not that we have launched anything specifically for rural because what we are seeing increasingly is that the rural consumption is mirroring the urban consumption in a large way unless it is a very cheap product where we do not operate so these products go across the board and that is what we are expecting it is not that we are highly urban centric or very premium or anything like that. As far as exports are concerned we developed products depending on what the buyer wants to buy from us and then give it to them in cookware and cookers.

Nikunj Bahety: Okay from the export point of view we are targeting cookers and cookware, is that right?

Chandru Kalro: That is right.

Nikunj Bahety: So going ahead say in FY2021 for second half what kind of SKUs are we likely to bring in for the export market the kind of demand you are seeing from the samples we have given to the export market so on that side if you could throw some light?

Chandru Kalro: There are many items we are developing for them. it is difficult to give you that information.

Nikunj Bahety: Okay Sir, that would be fine.

Moderator: Thank you. The next question is from the line of Shreyas Bhukhanwala from Canara Robeco Mutual Fund. Please go ahead.

Shreyas Bhukhanwala: Thanks for the opportunity Sir. My question is more on the costing side so considering the current situation across various head you would be looking at cost savings which would be kind of more sustainable as well so any thought on what kind of margin benefit we can derive from these sustainable cost savings?

T. T. Jagannathan: It totally dependent on the top line. If the top line grows by more than 10% the margin expands at EBIDTA level. As far as we are concerned the price of product is based on raw material cost plus conversion costs .

Shreyas Bhukhanwala: So there would be some fixed overheads where probably we would have either we will have improved our efficiency or look to curtail some expenses going forward...

T. T. Jagannathan: You are quite right, we normally tend to pass that on to the market.



*TTK Prestige Limited
August 10, 2020*

- Moderator:** Thank you. The next question is from the line of Manoj Shah from Lasco Investments. Please go ahead.
- Manoj Shah:** My question is can you shed some light on the servicing of the cookware and cookers and the appliances how they do it and are there any plans to capture this services segment of cookers and cookware from the unorganized sector like service centers and the mobile vans etc., any thoughts or any plans as of now they are doing?
- Chandru Kalro:** We have authorized service centers across the country we have more than 500 of them today; we have more than 3000 fleet on street, these are all integrated through a CRM software. Today you can register a complaint through your phone through the internet and I think in the next two months you can even do it through Whatasapp. All of these are done depending on the product line either as a carry in service or home service. We have one of the best turnaround times in the industry.
- T. T. Jagannathan:** And instead of having vans we actually go home and do service.
- Manoj Shah:** As a user of your product sometimes we face this kind of problems and when I went to some of your stores also they told me to visit service center which is very far off to go so it does not make sense for me to go there, but from that angle as a customer point of view I was asking this question?
- T. T. Jagannathan:** If you are not going to you dealer, there is a national toll free number which is advertised extensively; it is in your box also whatever product you bought and if you call that number you will get serviced if needed at home.
- Manoj Shah:** Other problem comes with me is that if I go to any other than the TTK Prestige I am not sure the quality of the product or the valve, handle or anything other than that so as a customer I want only the for TTK brand product should be put in or part should be replaced, so I am coming from that angle that the service center of the company or a mobile van which can help the customer they can get a quality replacement parts.
- Chandru Kalro:** I said if you call the toll free number they will guide you to the closest service center who will if required come home and service with regular genuine TTK spare parts.
- Manoj Shah:** Sure. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Anshum from Bryanston Investments. Please go ahead.
- Anshum:** In the last call you said that we are hopeful that we should be able to maintain our revenues at FY2020 level despite COVID in the current financial year?



*TTK Prestige Limited
August 10, 2020*

- T. T. Jagannathan:** No, we did not say for full year. What we said was for the second half.
- Anshum:** Okay. How should we then look at our five year vision to double the revenues between FY2020 and FY2025?
- T. T. Jagannathan:** Obviously that would be impacted we have to go back and start looking, we do not know how the markets are going to be post COVID: we have to wait a year and see and then redo our plans.
- Anshum:** This definitely pushes out our target to double the revenues?
- T. T. Jagannathan:** Will it or it might bring it closer.
- Moderator:** Thank you. The next question is from the line of Sanket from VEC Investments. Please go ahead.
- Sanket:** Thank you Sir for the opportunity and hope all is well at your end. Just wanted to check one of our peers in the cooker space their number is reported about 30 to 35% drop on the top line whereas we have reported about 60% could you throw some light any particular reason why this kind of figure impact on our cookware sales?
- Chandru Kalro:** You know that this particular company which you are talking about normally has a very high fourth quarter. Right, which was truncated because of the lockdown and how they have come back and how they have build the fourth quarter numbers into the first quarter I don't know I don't want take a position on that, our spacing of quarterly sales is different from that company and therefore our behavior is also different, you can be very rest assured that nothing much has changed as far as the market is concerned or the relative strength of the two brands are concerned.
- T. T. Jagannathan:** Please look at annual numbers not weekly or daily or quarterly numbers.
- Sanket:** Looking more at year on year comparison Q1 FY2019?
- T. T. Jagannathan:** The problem is that the way they space out their sales over their four quarters is different from ours. One quarter will be less than them and other quarter will be more than them, look at the year.
- Moderator:** Thank you very much. Ladies and gentleman that would be the last question for today I will now hand the conference over to the management for closing comments.
- Shankaran:** Thank you all for participating in this conference and we do have a very positive outlook for the remainder of the year and probably we will meet you with more positive performance for the next quarter. Thank you.



*TTK Prestige Limited
August 10, 2020*

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