



“TTK Prestige Limited 4QFY22 Earnings Conference  
Call hosted by Ambit Capital”

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**MODERATOR:** **MR. DHRUV JAIN – AMBIT CAPITAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to the 4QFY22 Earnings Conference Call of TTK Prestige Limited 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:** Hello, everyone. Welcome to 4QFY22 Earnings Call of TTK Prestige Limited. From the management side today we have with us Mr. T. T. Jagannathan, Chairman; Mr. Chandru Kalro, Managing Director; Mr. K. Shankaran, Whole-Time Director; and Mr. R. Saranyan, Chief Financial Officer.

Thank you, and over to you, sir, for your opening remarks.

**Chandru Kalro:** Good afternoon, and thank you for that. Just as to preface what the quarter looked like, it was our best-ever Q4, that is one. And I think it was a great end to what we call a good year, our best-ever year, we crossed 2,500 crores in revenues this year. We had a 16-plus percentage growth for the Q4 in terms of top line and 24.5% for the full year.

We are one of the few, if not the only, company in our peer group which has maintained margins in the face of such a huge volatility in input cost and the cost increases. And even though the Q4 had almost most of January washed out for Omicron in terms of the offline retail, I think all our channels have done exceedingly well during the quarter. And we have reported excellent results.

And I'll now open the floor for any questions

**R. Saranyan:** Highest-ever EBITDA for the year in the last 5 years.

**Chandru Kalro:** And the percentage EBITDA for the year that we've reported in spite of all these challenges on input cost is the highest ever in percentage terms.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aniruddha from ICICI. Please go ahead.

**Aniruddha:** In terms of this quarter, we have seen some impact on the profitability obviously due to the steep inflation impact. So, how do you see the margins panning out in FY23?

**Chandru Kalro:** You are right. I mean, the FY23 margins do look a little bit stressed. I think given that the price increases that we've taken, we need to know that the cost increases have picked up, so we don't know yet. So, largely, if we see we manage to pass on almost everything that we have, the dip in profitability that you see is next to nothing. Going forward, we believe that things should

improve in the second half. Until then, things would be stretched. That's our feeling. But it's difficult to give a guidance now.

**Aniruddha:** So, sir, H1 there might be some impact. But H2, there will be either the benefit of some price hikes or there might be some softening of inflation itself?

**Chandru Kalro:** Sure.

**Aniruddha:** And sir, overall impact on volume growth because of the steep inflation, et cetera, so how do you see the impact at least in H1?

**Chandru Kalro:** So, far, we are not seeing anything serious. Our sales are looking quite robust. Prestige as a brand constantly puts out new innovations and the new product pipeline is working well. And we are getting a lot of new products into the market. Hopefully, the inflation-proof target audience will be addressed with these new innovations. So, we are hoping to keep the top line going.

**Moderator:** Thank you. The next question is from the line of Paarth Gala from JM Financial. Please go ahead.

**Paarth Gala:** So, first of all, if you can help in terms of the price hikes that have been taken in the cooker and cookware segment in the fourth quarter as well as full year '22?

**Chandru Kalro:** So, for full year, we would have taken around 5% to 6%. In Q4, specifically, we did not take anything that you are seeing in the revenues. We have announced a new price, which was towards the end of March, I think 31st of March. So, part of that, you will see in Q1 of this year.

**Paarth Gala:** And moving on to appliances category, sir, again if you can help with the cumulative price hikes taken in the last 12 months?

**Chandru Kalro:** Around 8% to 10%, weighted average.

**Paarth Gala:** 8% to 10% Okay. Understood, sir.

**Chandru Kalro:** There might be a few outliers, there might be some which are not taken. So, that's why I said weighted average.

**Paarth Gala:** Weighted average, 8% to 10%. Got it, sir. And sir, on cookware, we've seen a 26% growth in this quarter. So, can you just throw some more color on what has driven this? Is this a sustainable growth rate going forward? So, is there any impact of exports here? And has the domestic market also grown in a similar fashion? If you can just throw some color on this, it would be very helpful.

**Chandru Kalro:** I can only tell you that most of the growth has happened in domestic and not in exports. I don't think that kind of rate of growth is sustainable going forward. But then since we have a huge

product portfolio of something or the other, for example, in this quarter, cookware didn't grow as much. In some of the quarters, cookware will grow. I think it will even out. We have always maintained that in a mature category like pressure cookers, a high single-digit growth is a full year for us. And this year, it has been exceptionally good because it's been a mid-teen growth in volumes.

**Paarth Gala:** And lastly, on the EBITDA margin, so we've come out in the media and spoken about 18% to 20% kind of a guidance in FY '23. So, this entails a 200 basis points margin expansion. Is that correct, sir?

**Chairman:** None of us have said that. Where did you hear that?

**Paarth Gala:** Sir, it was flashing in our media interview this morning itself.

**Chairman:** This morning, I said between 17% and 18%, between 18% and 19%.

**Paarth Gala:** So, if I look at FY '22, we've got 16%. So, can you just throw some light in terms of what would be driving this margin expansion?

**Chairman:** EBITDA margin FY '22, 17.4%. Where are you getting your numbers?

**Paarth Gala:** So, I was excluding the other income portion out of it.

**Chandru Kalro:** Yes.

**Paarth Gala:** So, sir, just a clarification, when we talk about EBITDA, we do include other income in it, right?

**Chandru Kalro:** You are right. Our EBITDA for the year or FY '22, for the full year, stand-alone was 16.45%. And what was said in the morning was that there would be a slight reduction in that margin.

**Paarth Gala:** Okay, slight reduction. Okay, understood, sir.

**Moderator:** Thank you. The next question is from the line of Rushabh Sharedalal from Equirus. Please go ahead.

**Rushabh Sharedalal:** What I'm trying to ask is if you can let us know what would be the level of penetration of cookers, cookware and kitchen appliances. And what would be the industry size for all the three, cookers, cookware and kitchen appliances in India? And how have they historically grown in the last 5 years? Do you have some thoughts on that?

**Chandru Kalro:** So, pressure cookers, the urban penetration is in excess of 90%. For Cookware is difficult to quantify penetration levles because there are so many classes of cookware that are there. And therefore, it's difficult to say what that penetration is. And there is no known study to tell us that. Appliances, being amorphous each large category has different levels of penetration.

But to come back to the final question that you have as to what is the size of the opportunity, we believe that the kind of products that we have, the market size would be in the region of 16,000 crores to 18,000 crores. Our turnover, you are seeing, is 2,500 crores.

**Rushabh Sharedalal:** Okay. So, that 16,000 crores to 18,000 crores includes pressure cooker, cookware and appliances, all three of these, right?

**Chandru Kalro:** Yes.

**Rushabh Sharedalal:** Okay. And of the 16,000 crores to 18,000 crores, what approximately would be the organized market share? Because it is a known fact that organized is gaining market share from the unorganized. So, do you have thoughts on that?

**Chandru Kalro:** Depending on the category you are speaking -between 35% and 50%.

**Rushabh Sharedalal:** So, for pressure cookers, and if you can just break it up for me for pressure cookers, cookware and appliances?

**Chandru Kalro:** We don't have to do that if there are so many categories. There is no formal research, we can only guess.

**Rushabh Sharedalal:** And just one more question, if I can squeeze in. The cookware segment, it is roughly 15% to 20% of our revenue. And any plans on how this segment would be 3 years out? How much of it would it contribute to our top line? Because this is a segment where the replacement is pretty high as compared to others.

**Chandru Kalro:** You're right. I mean, cookware will grow faster than pressure cookers. That is a fact. And at some point in value terms, it will probably be equal to pressure cookers in the next 5 years. That's for sure.

**Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

**Bhavin Vithlani:** On the cooker and the cookware side, if you could just help us, what is the mix in terms of stainless steel, aluminum and hard anodized? And what are the trends that you are seeing in the market?

**Chandru Kalro:** You know what, a little bit competition-sensitive in terms of information because of the way it is. But let me tell you that the stainless steel is growing faster than the aluminum.

**Bhavin Vithlani:** So, the reason to ask was actually because we see a lot of volatility in the underlying commodity. If you could tell us, not in percentage but directionally, whether stainless steel is larger than the aluminum or that helps us directionally in understanding the raw material mix.

- Chandru Kalro:** So, the aluminum is still dominant in terms of the metal used, in terms of tonnage used for us, though stainless steel is growing faster than aluminum.
- Bhavin Vithlani:** Fair enough. What is the kind of, when you talked about 16,00 crore to 18,000 crores as a total addressable market, what would be, in your best estimate, the market size for cooker, cookware and pressure and mixer grinder?
- Chandru Kalro:** So, if you're looking at cookware, it's a little bit tough to give because there are so many evolving segments. If you're looking at pressure cookers, on the other hand, my estimate would be about 2,500 crores to 3,000 crores on pressure cookers. Mixer grinders will be around 3,000 crores to 3,500 crores.
- Bhavin Vithlani:** Sure. So, mixer grinder is a category where we see that because this is largely how dominant and you have a very strong brand equity, but we don't see Prestige in the leadership. If you could just tell us of the softer aspects in terms of the initiatives you would have been taking in terms of improving the product, technology, aesthetics, et cetera. And do you believe that you can attain the leadership position in this category?
- Chandru Kalro:** Yes. I mean, it's a very good question. With mixer grinders, what we have been doing, we have moved from the sixth position to the third position, right? We are a very late entrant.. Mixer grinder is an extremely appliance-centric, motor-driven product. And it has its own challenges. Over the last 3, 4 years, what we've done is done several improvements in our product through extensive consumer research. So, what we have done is, in the last 24 months, launched, I think, close to 24 models literally in different colors, different aesthetics, different configurations, et cetera, et cetera.
- There's been a substantial push towards after sale service. There's been a substantial push towards e-commerce. And what we are proud today to say is that while we are considered to be a South-centric brand, our mixer grinders sell across the country and across channels. And we believe that we are on track to achieving the #2 position very soon as we are going along, then we will go after the #1.
- Bhavin Vithlani:** Just last question from my side, the Svachh brand that you have launched a couple of years ago, that seems to be gaining traction. So, what, if you could just give us directionally what would be the share of the Svachh on the cookers as a percentage and maybe the gas stoves that you launched, where you put up these pictures on the presentation.
- Chandru Kalro:** So, in pressure cookers, we are very happy to tell you that almost 85% of our pressure cooker sales today is in the Svachh platform. All of these cookers have the spill control lid, which is what the Svachh platform is all about. Only 15% is left. In the Svachh gas stove, that's a very recent entrant, it's only been about 8, 9 months since we launched. And we are in the process of launching several new products within that same platform. As of now, it's about 15% to 20% of our total gas stove sales.

- Moderator:** Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.
- Charanjit Singh:** Sir, just if you can highlight from a demand outlook perspective in terms of various product categories, some rural versus urban, are there any specific trends you are seeing or the demand momentum continues to remain at the similar level what we saw in Q4? So, that's my first question.
- Chandru Kalro:** The market remains buoyant for the middle to upper-middle range of products. The market is struggling for the entry-level categories. That is a trend that is true for both urban as well as rural markets.
- Charanjit Singh:** So, then when you are saying struggling, so is it kind of a de-growth you are seeing or a very slow growth, if you're able to qualify that?
- Chandru Kalro:** Low single-digit growth in the entry-level or lower middle-level products and close to double-digit growth is possible in the upper range of products.
- Charanjit Singh:** And sir, if we look at appliances as a category, even if I look at that 3-year CAGR, so it has grown on a 3-year CAGR, before the pre COVID with a 3% CAGR. Pressure cooker while it was a lower base, so it was showing a higher growth rate. But on the appliances side, because our quarterly run rate is also almost 300 crores, so what's next in terms of growing these categories? While we talk about mixer grinder with such significant launch pipeline, are there any new product categories also which you are looking at here? Because now it's a significant, sizable number, 300 crores quarterly number, yes.
- Chandru Kalro:** We are looking at a lot of new products, not new categories.
- Charanjit Singh:** Okay. So, can you elaborate more, sir, on the kind of products which you are looking at here?
- Chandru Kalro:** There is a mix of major categories that we operate, for example, mixer grinder, gas stoves, induction cooktops, kettles, pressure cookers, cookware. There are a lot of segments, subsegments that we are launching in terms of products. And that is what we are doing. We are not launching any new categories, like built-in ovens, for example, or dishwashers, for example. Those kind of products, we are not intending to come into at this point in time.
- Charanjit Singh:** And sir, from the distribution channel perspective, you had earlier also given us the breakup in terms of online, general trade and the other parts of the channel MFI and all. Can you share that breakup? And any major trends there in terms of online coming down, you have highlighted earlier? How is the trend right now?
- However, the online has been disturbed because, as you know, in some platforms, there has been rigid on their way they are doing their e-com business, which has got its own disturbance, which

we think in the Q1 of this year, it will kind of stabilize and go forward. Going forward, we are seeing online growing as will the offline category.

**Moderator:** Thank you. The next question is from the line of Sameer Gupta from IIFL. Please go ahead.

**Sameer Gupta:** I have just two, just looking for data points. Can you help me with overall on a portfolio level weighted average price hikes that you have taken in FY '21 and FY '22?

**Chandru Kalro:** I don't have the numbers offhand on FY '21, unfortunately. But I just said about the FY '22 price hikes, which I said was between 6% and 7% on pressure cookers and cookware. And on the appliances, it was between 8% and 10% as a weighted average on the appliance portfolio.

**Sameer Gupta:** And sir, on the CAPEX guidance, I mean, we have hardly seen any CAPEX in the last 2, 3 years. And this year, at least, we have seen a very healthy volume growth based on the numbers of price hikes that you have shared. So, what is the kind of CAPEX that we can expect in the next 2 years?

**Chandru Kalro:** So, first of all, let me correct that expression. We've had close to 55 crores to 60 crores, I don't remember the exact number, 50 crores, 55 crores of CAPEX in FY '22. And I'm sure the number was not very different in FY '21 either. And going forward, we are looking at between 50 crores and 75 crores. Because there is also some capital work in progress, as we speak, because not all projects are completed, given the kind of disturbances that we had last year. So, that is between 75 crores and 80 crores.

Coming to the capacity expansion, last year, we have produced close to 40% more in terms of the volume production that we've had on pressure cookers and cookware. We are hoping to take that forward this year above by about 15%, 20% and also keep spare capacity by the end of this year with the new CAPEX that we have for growth.

**Sameer Gupta:** And just a follow-up here, so at present, currently, what is our capacity utilization?

**Chandru Kalro:** Depends on what category you're talking about. So, if you're talking about aluminum pressure cookers, we are between 65% and 70%. If you're looking at stainless steel, that's about 70% and 75%. Cookware, we are at about 70%, 75%. We still have enough capacity to grow. And we are still adding capacity substantially this year in each of these categories.

**Moderator:** Thank you. The next question is from the line of Hirenkumar Desai, an individual investor.

**Hirenkumar Desai:** One question is, sir, on a blended basis, what is the replacement period for our products? If you can...

**Chandru Kalro:** It's very, very difficult to answer that question. It's percentage-centric, it's category-centric and it's what comes across as new. So, I mean, I'll just give you an example. I mean, how often do you change your mobile phone? You could change it every 6 months or every 6 years. Now the



average that we see in our pressure cookers, for example, is between 4 and 10 years. It's like that.

Cookware is more fast replaceable in every 2 years, 3 years, once the cookware is in place. Stainless steel cookware is never replaced. Mixer grinders, maybe 4 to 5 years, gas stoves, again between 4 to 5 years. So, it's difficult to say because of the number of categories that we operate in.

**Hirenkumar Desai:** Actually, the idea of the question is like what proportion of sales is the sort of repeat versus potentially new to branded item thing.

**Chandru Kalro:** So, let me answer that. I wished you had asked me that clearly because if you look at, as I said, pressure cookers, the penetration levels are at 90%-plus in urban India. So, whoever is buying a pressure cooker is buying for three reasons, one of three reasons: either he's buying an add-on pressure cooker; or is buying a higher- or lower-capacity pressure cooker; or he is wanting to replace his existing pressure cooker. So, these are the three reasons. But he is already a pressure cooker user.

The same goes for many of our categories. If you are looking at our gas stove customer, at least most of them are replacement customers or an upgrade customer. You've got two-burner, you go to a three-burner. If you buy a mixer grinder, you've got a lower-wattage mixer grinder, you buy the new mixer grinder. So, most of our customers are either replacement buyers or add-on buyers.

**Hirenkumar Desai:** So, that may be true of urban, as you say. Are we seeing traction in rural areas, where probably we are likely to have newer customers?

**Chandru Kalro:** Yes, we do. But it's difficult to quantify that.

**Hirenkumar Desai:** Second question is, what is the long-term or at least medium-term margin target that you would like to...

**Chandru Kalro:** Look, we've had an exceptionally good year. We've always said 14.5% to 16% is the band in which we have operated. We've exceeded that by a mile. We would like to stay as high as we can. That is where we are. And we are way above our peer group in markets. All of these are facts.

**Hirenkumar Desai:** And sir, if I can sneak in one last question to get insight about what was it, some sort of a cycle or whatever you want to call it, in our category of products. Like for example, if I look at FY '18, the sales growth was in single-digit percentage while, let's say, FY '22 have been very extremely good. I mean, will you be able to throw some light on what causes this or whatever...

**Chandru Kalro:** It could be a channel that went up or down. It could be a particular kind of new product that we would have launched that might have actually triggered that growth. These category growths

have been, in general, for the last 3 years, lower than our growth. So, we have actually added market share. And the way we've actually added that market share is through a series of innovative product launches, through a series of innovative initiatives towards customer, customer experience enhancement, et cetera and towards distribution.

**Hirenkumar Desai:** And one last question, sir, out of the overall sales growth, broadly again I'm looking at medium-term or bit long-term thing, the breakup of volume and the price portion in the overall sales growth?

**Chandru Kalro:** It is difficult again to say that because the average sales realization that I have is a blend of channel mix, model mix, both. So, if I tell you that I have increased the price by 6%, I can't take that 6% and say that my average realization exactly went up by that 6% because it will depend on how the channel mix was or how the product mix was, et cetera, et cetera.

**Hirenkumar Desai:** But just in case you can like provide, let's say, a 3-year or a 5-year sort of revolving number or something.

**Chandru Kalro:** I don't have that number off my head.

**Moderator:** Thank you. The next question is from the line of Rushabh Sharedalal from Equirus. Please go ahead.

**Rushabh Sharedalal:** And the management has guided for a commitment of roughly 5,000 crores of sales by FY '25. So, a couple of quarters back in the call, you did mention that you aim to reach a 5,000 crore sales by FY '25. So, if you can just let me know if what kind of a mix would we see when we reach such a kind of sales. Or how much would be pressure cookers, how much would be cookware and how much would be kitchen appliances?

**Chandru Kalro:** Let's start to talk about that 5,000 crores. The 5,000 crores that we said was broken down by saying that 1,000 crores will come from inorganic and organic would be 4,000 crores. Within that 4,000 crores, we said around 500 crores, give or take, would be exports and 3,500 crores around, we will be domestic. Within that 3,500 crores, we said that about 55% to 60% will be appliances and the rest will be pressure cookers and cookware. I don't know if I have answered that question to you.

**Rushabh Sharedalal:** No, that's very helpful. That's very helpful. And just a small question on the kitchen appliances segment, so if you can just let me know how many number of SKUs do we have in the kitchen appliances segment? And which of these SKUs contribute most to this segment? And what sort of margins do we make?

**Chandru Kalro:** So, first, let me tell you that we have close to 700 SKUs that are active at any point in time. Secondly, our pricing is such that it's a cost-plus pricing. Largely, the margins on that category would apply to the margin on that particular SKU. So, it's not as if one particular SKU gives me terrific margins and some gives me terrible margins. It's not like that. Within that, there are

certain promotions that I might run, certain gift sets that I might run, which have a certain seasonality. But overall, the category margins are maintained and the pricing is always a cost-plus.

**Rushabh Sharedalal:** And just a small question, if I can squeeze in, if you can share some numbers on what kind of market share does TTK have in all the three, so that is pressure cooker, cookware and kitchen appliances, whatever that you can share your thoughts on it.

**Chandru Kalro:** We've said that our value share in pressure cooker in the general trade, which is where it is being tracked at this point in time, is about 30%, 32%. Our value share in cookware, nonstick cookware, for example, is upwards of 35%. In the appliances, it's difficult to give you market share because there are so many different categories.

**Moderator:** Thank you. The next question is from the line of Bharat Chhoda from ICICI Securities. Please go ahead.

**Bharat Chhoda:** I had a question regarding our cleaning solutions. So, this was a category which has been our fastest-growing category. But this year, I think it has declined by around 13%. Any particular reason for this thing? And what would the outlook going forward?

**Chandru Kalro:** Yes. So, what has happened is, if you remember last year when we were talking about the cleaning solutions portfolio, there were one or two subcategories within that which had grown quite dramatically, thanks to the COVID. So, that turned out to be down in the year FY '22. And we had to make up for that with other products. Going forward, we are looking at between 25% and 30% kind of growth as we go along.

**Bharat Chhoda:** And sir, on exports front, what is our strategy? Are you expecting a similar kind of growth trajectory of around 30% to continue going ahead?

**Chandru Kalro:** Yes.

**Bharat Chhoda:** And sir, we have taken price hike in April. So, would you be able to quantify that and whether this will be enough for us to maintain our current margins?

**Chandru Kalro:** So, as I said, the margins we've taken a considered view on this. I believe that, at some point in time, the commodity prices are likely to pick up. What is that particular point in time, well, I think, very difficult for anyone to say. We've also taken into account what the consumer can pay.

And so far, if you compare us with our peers, we've actually passed on price increases much earlier than the rest. The price increase that we have taken is probably taking into account the present pricing. And that it has peaked out. I hope that it has indeed peaked out. And so our margins will be around the same levels of where we are right now on an annualized basis.

- Moderator:** Thank you. The next question is from the line of Gaurav Arora from Equirus PMS. Please go ahead.
- Gaurav Arora:** My first question is regarding the growth that we have seen this year. So, clearly, with the price and kind of price increases that we have taken, still we have achieved such a large volume growth. So, just wanted to understand the drivers behind the same. I mean, would it be fair to say that work from home would have contributed to a large part of volume growth? Or I mean, just wanted to understand your thoughts behind what are the demand drivers that you have seen.
- Chandru Kalro:** You're absolutely right. I think work from home has been a driver because the share of wallet to the kitchen has definitely gone up because people haven't gone on holidays. People have not gone spent on uniforms for their children. People have been spending less on going out, et cetera, et cetera. So, the kitchen has definitely got a larger share of wallet. And the second thing is that these kind of new products that we have launched during this kind of period, in spite of all the challenges, has also helped us grow that we have been seeing.
- Gaurav Arora:** Sure. And so going forward and currently also, are you seeing that some part of that demand kind of tapering down a little bit because of things opening up and offices opening up gradually? Are you seeing any tapering of demand in the economy?
- Chandru Kalro:** They're going to be, in our opinion. But I think we will more than make it for it with our new product launches. We will more than make up for it with other initiatives that we are taking. So, we are not worried about the share of wallet going down overall as long as we can keep the customer interested in what we are selling.
- Gaurav Arora:** Sure. My second question is on the inorganic growth part that you mentioned. So, have you, I mean, thought about what exactly would you look for while looking at any particular target for an organic growth? Would it be in the same category? Would it be for market expansion? Any thoughts around that?
- Chandru Kalro:** We've stated that in the past that we are not looking at in the same category because it does not offer us any strategic value. We are looking at adjacent categories. We are looking at any distribution synergies that we might have or any other complementing nature of the acquisition that we have. We might even look at something abroad if that gives us access to international markets. There are so many of these types of acquisitions that we are looking at on.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Could you speak about the Ultrafresh acquisition and the size of the business? And what's the kind of synergies that you could bring in, in terms of distribution channel or the management bandwidth? And where do you see this business in the next 3 to 4 years?

**Chandru Kalro:** Very good question. First of all, the Ultrafresh business that we have invested into is currently very small. It's under 20 crores, for example, I mean, in that sense. But if you look at the overall addressable opportunity that we are looking at, it's a 2,500 crores opportunity. And Ultrafresh is positioned very well to take advantage of the present real estate boom and also try and go because of where we are today and what the potential is. Ultrafresh is possibly the only player in modular kitchens which has an end-to-end capability, which is manufacture, design and installation and retail. They have over 100 studios. So, that is where Ultrafresh is placed.

The complementing nature of this investment is because we are, in the rest of the kitchen appliance space, we also have close to 670-plus all-exclusive outlets. There is a whole lot of synergy that we can bring about between the two retail chains. And we are already doing that. We are looking at a fast-based expansion of Ultrafresh studios and a fast-paced expansion of PXL through the Ultrafresh studio franchisees as well. There are large underrepresented markets of Ultrafresh, given that they are so far not at scale, which we can bring for them. So, that is why this is an extremely interesting investment and a high-growth investment in the next few years.

**Bhavin Vithlani:** Just a follow-up on this, chimney is also a subcategory part of the Ultrafresh or it is separately that we are targeting?

**Chandru Kalro:** So, Ultrafresh has some manufacturing opportunities, which they will now make chimneys for Prestige, and because they don't have an aftersales service to service that, which Prestige has. So, therefore, that's the other complementing nature. So, they will sell Prestige appliances, along with Ultrafresh modular kitchen.

**Bhavin Vithlani:** Sure. The second question is on the cooker and the cookware. What percentage of the sales is where we drive the business through the exchange model? Because we did keep on seeing that you launched some exchange scheme. And is this, the exchange scheme, which is resulting in the repeat sales is one of your key competitive advantages?

**Chandru Kalro:** Yes, it is. Actually, you are referring to the Anything for Anything exchange scheme. Every year, during the first quarter, we launch this, it's an annual activity. But having said that, exchange happens right through the year. The difference in this exchange scheme is we exchange anything that you have in your kitchen for anything that you want to buy, which normally what happens is the like-for-like exchange that happens. So, if you have an old pressure cooker, you buy a new pressure cooker, so on and so forth. Yes, you can bring in an old pressure cooker and exchange for a mixer grinder. So, that is the difference with the scheme. It's, of course, a little bit higher exchange discount that operate during these 3 months.

Clearly, it is a good exchange and a business driver because we address customers who typically already are owners of these categories. And we are trying to actually get them to replace their existing products with something that is better. That is the whole idea of this promotion.

**Bhavin Vithlani:** And is exchanges a significant part of our sales?

**Chandru Kalro:** Not in that sense. Look, we do not take back any old scrap, right? So, we don't know what is that percentage. But I can say that if you are looking at certain categories, they're very high on exchange. For example, gas stoves. Whether we are running a promotion or not, the customer is probably exchanging their old gas stoves and buying a new one. You don't see any home with two gas stoves. Whereas in a pressure cooker, for example, it's very common for you to see a home with five pressure cookers. So, depending on the category, the exchange component can be very high or low.

**Bhavin Vithlani:** Sure. Last question from my side. And when we look at the online pricing, so the premium of the Svachh brand is considerably higher vis-à-vis the non-Svachh. And also the pricing of Svachh is also at a considerable premium to your peer set. So, are the percentage premium that Prestige always charges versus its peer set gone up in the recent past?

**Chandru Kalro:** No, not really. Again, as I keep saying, our pricing is cost-plus. So, there is a higher cost that is there in the Svachh gas stove, which is offering a very much better consumer benefit. And we are asking for the price to be paid for that. The customer obviously has a choice between that and the standard gas stove that they are going to buy. And as we see, we are at about 15% to 20% of our gas stove portfolio is already Svachh.

In fact, if you look at the three largest by volume SKUs within the gas stove portfolio, it is already Svachh. But the other non-Svachh gas stoves are also selling. You don't see these things move lock, stock and barrel overnight. And there are a lot of new products also that we are launching within the Svachh platform in gas stoves in the next few months.

**Bhavin Vithlani:** Just a connected question on the pricing, I mean, it's a hypothetical question. But if at all we see a correction in the commodity prices, going by your past experience, have we seen that the market actually takes corrective action on the pricing or that's the period where we see expansion in the margins for the market as a whole?

**Chandru Kalro:** Sorry, I did understand that. Say that again, please?

**Bhavin Vithlani:** So, in a case where we see correction in the commodity prices, in that case, do we see that a company like yours and your peers, going by the past instance, they will see a reduction in the end prices? Or the prices are maintained and we see a short period where the margins expand?

**Chandru Kalro:** So, I don't think any of us, including our peers, would have taken a price increase decision on the basis of a spot price. There are a whole lot of decisions. There are a whole lot of considerations that we have, what is the opening inventory of raw material that we have, what is the weighted average cost to that, what are we looking at in terms of the price trend for the next 6 months, et cetera.

We believe that softening of commodity prices, if they happen, will come somewhere near the price that we have thought is the weighted average for the year. We don't believe the time has

come for us to say that there is a need to reduce price as of now. That is not yet there. We will cross that bridge when it comes.

**Bhavin Vithlani:** Sure. Has there been any instance in the past, let's say, 10, 20 years where the industry has taken price cuts due to commodity corrections?

**Chandru Kalro:** There has been only one instance that was not due to commodity but due to the reduction in excise duty that has happened in the last 10, 15 years back or so, probably sometime then. And in which case, what we did was we just merely passed it on. That's it.

**Moderator:** Thank you. The next question is from the line of Amit, an individual investor. Please go ahead

**Amit:** I heard the interview this morning. And you mentioned that in Q1, we are 30% above June '19, if I heard that correctly. So, I was just wondering, are we talking about value? Or are we talking about volume?

**Chandru Kalro:** I think we were talking about value.

**Amit:** And secondly, can you tell us what the impact of the export duty on steel and stainless steel, how is that going to impact our cost structure, sir?

**Chandru Kalro:** It is positive for us because domestic prices of stainless steel will come down because we will now not be able to export that much.

**Amit:** Sorry. So, how much can we expect our costs to go down by on an overall basis?

**Chandru Kalro:** It's tough to say. It depends on how much inventory we are holding They have already asked the government, for example, to allow them to export without the export duty for existing contracts that the secretary has said to get the application and then we will come back. It's difficult to say at this point in time.

**Moderator:** Thank you. The next question is from the line of Suraj Fatehchandani from Compound Everyday Capital. Please go ahead.

**Suraj Fatehchandani:** So, I have two questions, the first one being the vision of company. So, in the last con call, management guided that increase in Prestige Xclusive stores would result an increase for full pricing. That's the vision, that's the marketing strategy?

**Chandru Kalro:** That is not a vision. The vision was to make Prestige available in every Indian kitchen, if I remember right. We had also stated a mission of reaching 5,000 crores by FY '25. We have talked about the PXL being a key part of that strategy to achieve that objective.

**Suraj Fatehchandani:** Got it. So, sir, our main focus of the increased stores would be rural areas or again Tier 1 cities?

**Chandru Kalro:** It is where the customer is. We have always stated that if there is a customer, we would like to be present there. Now if that is through a multi-brand outlet or through an Exclusive outlet or through e-commerce or through anything else, I think that we have kept ourselves open.

**Suraj Fatechandani:** Got it. And sir, secondly, so this is a suggestion. So, actually, when I first got on the process, I found that the dealers weren't able to exactly explain the benefits of Svachh as in how the Svachh pressure cooker is different than other pressure cookers and so the premium. So, if we are charging a premium, then customers should know that why they're paying an extra buck for a pressure cooker.

So, if you could, I mean, the dealers could be able to explain everything because these products are having technical features. So, these are the basic products of Indian households. I mean, the ladies will be using this. But they should be able to understand why exactly this cooker are they buying or why exactly are they paying a premium for it.

**Chandru Kalro:** I take your suggestion. But let me assure you that there is nothing technical about it. All that we are saying is when your pressure cooker [indiscernible] broth, it kind of holds that broth in the lid instead of pouring it all over the gas stove. That's all we are saying. It's a huge customer benefit, helps them keep their kitchen cleaner.

If a dealer is not explaining it, there could be a whole lot of reasons for the dealer not to explain it. Because we are the only people with such cookers. And if he says that only Prestige has this, maybe he will not be able to sell the rest of it. So, he kind of keeps quiet. There could be other considerations. He might be getting more margins on the other brands. So, you can never predict why a dealer is saying it or not saying it. It's not that he's not saying it because he doesn't know.

**R. Saranyan:** Svachh and non-Svachh the premiums are very high.

**Chandru Kalro:** Not exactly. And between Svachh and non-Svachh, because of our stated policy of cost-plus pricing, the premium actually is negligible in our pressure cookers.

**Moderator:** Thank you. The next question is from the line of Hirenkumar Desai, an individual investor. Please go ahead.

**Hirenkumar Desai:** Sir, the question is our export business remains pretty small in comparison to all of the businesses. Is it because of the nature of cookware and other equipment that are used in other countries? Or we haven't put in marketing distribution, et cetera, to an already existing export?

**Chandru Kalro:** Yes, our exports are largely white-label exports. We are not doing any branded exports. The reason for that is we don't own the Prestige brand outside. Whatever Prestige exports are there, we do it under royalty payment to the brand owners of Prestige outside the country. Within the country, we own this brand. White-label exports have a lower realization, a lower margin because there's no marketing margin on these products. In the past, we were short on capacity.



So, obviously, we wanted to first feed the domestic market before we go for the export market. Now we believe that exports do offer us an opportunity because of China and the new geopolitical situation, and the China Plus One happening with all buyers. And we believe that we are here to capitalize on that. Having said that, even as per our vision statement, we have always stated that exports will be at best between 8% and 12% of our overall revenues.

**Shankaran** If we take our peers, particularly the export business, as a total business, it will be more or less similar to our present basis.

**Chairman** Or less.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments. Over to you, sir.

**Chandru Kalro:** Well, thank you. That was very engrossing. Thank you for the interest in the company. We've had a good year, as I said. We hope that we continue the good momentum as we go forward, and see you the next time. Thanks a lot.

**Shankaran:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference. We thank you all for joining us, and you may now disconnect your lines.