



“TTK Prestige Limited  
1QFY23 Earnings Conference Call”

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**MODERATOR:**      **MR. VIDEESHA SETH - AMBIT CAPITAL PRIVATE  
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- Moderator:** Ladies and gentlemen, good day and welcome to 1QFY23 Earnings Conference Call of TTK Prestige 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. Videesha Seth from Ambit Capital. Thank you and over to you Ms. Seth.
- Videesha Seth:** Hello everyone. Welcome to the 1QFY23 earnings call of TTK Prestige Limited. From the management we have with us Mr. Chandru Karlo, Managing Director, Mr. K Shankaran, Wholetime Director and Mr. R. Saranyan, Chief Financial Officer. Thank you and over to you, sir, for your opening remarks.
- Chandru Karlo:** Thank you. Good afternoon, everybody. And thank you for joining us on the earnings call. We've had quite a good quarter, a very satisfactory quarter considering the kind of headwinds that were there in the quarter. It has been volatile in terms of commodity in terms of market inflation, etc. And all told I think we've done extremely well, our volume growth is robust, value growth is robust. Our margins are good, and we are looking at a fairly stable situation going forward as well. All geographies have done well, all channels have done well and all categories have done well. I stand by for your questions from here.
- Moderator:** The first question is from the line of Bharat Chhoda from ICICI Securities. Please go ahead.
- Bharat Chhoda:** I had a query regarding our revenue momentum, like, last year, the 2Q was a very high base. So do you expect the revenue to be positive from that level or probably you would say a marginal decline. How would the revenue move from there if you could throw some light on that?
- Chandru Karlo:** Absolutely. You're right. We are on a very high base as far as 2Q of last year is concerned. 2Q of last year was high because there was a truncated 1Q. There was some level of pent-up demand as well. And therefore, the base was quite high. We are looking at, overhauling that slightly, but not by much, if things go well, I think we should overhaul it as we speak.
- Bharat Chhoda:** Okay. And just one more thing, like in the press release, we have said that, probably the commodity inflation is easing out, but there are other items, inflationary items, which is a cause of concern. So what are these items we are referring to here? Is it shipping freight costs or anything else specific you want to call out over there?
- Chandru Karlo:** Yes, the freight costs haven't come down because the storage prices haven't really come down in terms of marketplace. There are some commodities that haven't come down. For example, rubber whichever is oil based, that hasn't come down. So, prices have not come down fully to where it was. So there are still some areas. However, the good news is it's not going up anymore. So I think, from here on, we are looking at some kind of stability in pricing in terms of our raw materials, which is good news. And I must also add that, nothing is gone haywire in terms of our planned raw material prices that we have looked at the beginning and where they are now. So we are at where we have planned. So that's why, there are no surprises.
- Moderator:** The next question is from the line Naveen Trivedi from HDFC Securities. Please go ahead.

- Naveen Trivedi:** Sir my first question is, can you just share, what sort of price hike, have you taken in the quarter and what sort of a price actions are expected considering the RM per site we are softening?
- Chrandru Karlo:** So there was no major price hike that we took in this quarter, but for a few items in this quarter. And that would, you can say range between 3% and 5% over a few categories. These few categories would be induction cooktops, where for example, some key components went up in price because they were imported. Otherwise we had announced the pricing in the end of fourth quarter, which is what we took in. Going forward, when we took these price hikes, whatever price hikes we took, we did not exactly take the spot rates into account, but we took an average rate that we had in mind when we took it. And I think we are at that average position. So there are no price hikes plan. And I don't think we are looking at the price reductions either. So there's a stable pricing regime, which we are looking for.
- Naveen Trivedi:** You mentioned that, the volume side also, you've seen, decent amount of traction, in this quarter, also in the previous quarters also, how should we look at volume trajectory going ahead considering, the demand scenario, you expect in the coming quarters?
- Chandru Karlo:** So, you know, in terms of trend, I mean, the inflationary pressure is well known to you. So the trend that we are seeing is that the mass end or the entry level end is struggling for volumes, the upper end, which is the premium end or the niche end is not struggling and volumes growths are there. So in that sense, if you look at an overall volume picture, since we've launched so many new innovative products in the Q1, also, we are expecting that our volume is stable, if not marginally growing on a large base of last year. That's where we are looking at the volume outlook.
- Naveen Trivedi:** Sir considering a lot of consumer companies are talking about, demand slowing down and now price side also, there will be more, I would say not taking cuts, but still, there won't be any price element which will drive the revenue side and thereby the volume traction seems to be very important in terms of understanding, the revenue trajectory going ahead. That's why I was trying to understand how, volume trajectory will be there in the coming quarters?
- Chandru Karlo:** No as far as Q2 is concerned, I already answered you. I am seeing the second half being more positive than the Q2 because our second half base was reasonably, stable last year. So I'm expecting growths to happen in the second half. And therefore overall for the year, we will look at reasonable growths in volumes as well.
- Shankaran:** You can't compare our company with FMCG companies, we are in brown goods, not in white goods also.
- Naveen Trivedi:** I missed out a comment on for the second quarter, you mentioned that there will be some slide on the Y-o-Y basis correct?
- Chandru Karlo:** A few categories, but many categories we are looking at growths as well. So at the upper end premium categories, we are looking at growth at the mass end we are not looking at growth, where we are a little bit minus there.
- Naveen Trivedi:** Sure. And, considering in this environment also sequential gross margins have improved, this quarter, so on that basis and RM side, we are seeing some softening. So how should we look at gross margin trajectory in the coming quarters, particularly when the festive season side, it'll start benefiting the second quarter instead of third quarter, this time?
- Chandru Karlo:** Yes, the gross margins have improved on a sequential basis. But remember that, there is some inventory which we are holding at a higher cost. So the entire benefit of the softening commodities will not happen in Q2. That will happen from Q3 onwards, but yes, we are looking at a decent situation in the gross margin front going forward.
- Moderator:** The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

- Indrajit Agarwal:** I have a few questions. Sir you mentioned that your growth is 38% on sales over a normal base of 1Q FY20. If I were to, you know, split it within value and volume, what would be the ballpark, breakdown of this?
- Chandru Karlo:** See, we are a multi-category company. So, our growth has been, in the volume terms. If you look at on most categories at a double digit CAGR from that time to now even if you include the COVID years, in many of our major categories, some categories, maybe it's single digit growth, but there is volume growth across categories between Q1 of FY20, which was the last normal Q1 to this Q1.
- Indrajit Agarwal:** My second question is, you had a target of INR 5,000 crore of revenue by '25. So any update on that, how are we looking at any inorganic expansion or any change in that, guidance yet?
- Chandru Karlo:** So that guidance, if you remember, we had given, for FY25 in the year FY20. And then we said that the COVID has put us back by two years. So we pushed that deadline to '26, '27 and, yes, that guidance of INR 5,000 crore, if you recall, there was INR 1,000 crore inorganic and INR 500 crore export and INR 3,500 crore on the existing portfolio. And I think we are on course to achieve those, other than the inorganic, because while inorganic proposals are under consideration, we don't have anything to report back other than what we've already told you.
- Indrajit Agarwal:** Sure. This is helpful. My last question is on the other expenses for this quarter, which had seen a significant jump up. Anything to note over there is A&P spend is unusually high or anything that would normalize in the following quarter?
- Chandru Karlo:** So actually the A&P spends of last year, Q1 were a little lower than normal. And what you're seeing this year in Q1 is a normalized, A&P spend. That is one. Second thing is over last year, if you see last year, the traveling expenses and other business expenses were slightly lower this year, we've had a largely a normal quarter. So in percentage terms, we are still fine. There's nothing wrong with what we have, and it's a normalized expenditure that you're likely to see. Nothing out of the ordinary.
- Moderator:** The next question is from the line Ranjith Sivaram from Mahindra Mutual Funds. Please go ahead.
- Ranjith Sivaram:** Just wanted to understand now that this -- so now that this Crompton has acquired Butterfly and it's almost a month, and do you see, more competition from Butterfly and are they taking market share from us in the Northern region with the reach of Crompton, is there any threat to us in terms of market share loss?
- Chandru Karlo:** No, I won't say threat, but I certainly think that they would be a credible competitor in the non south front here on, which I believe we are more than happy to face in these markets. The jury is out on how much they would, sustain their presence but they've certainly become more active in the markets. There's no doubt about it, but more competition is only good because, I believe that it'll spur us all better.
- Ranjith Sivaram:** Okay. And also Crompton is planning to launch this in kitchen, in terms of the chimneys and other equipments also where we are kind of, it's non-premium player, the premium is Faber and Elica and we are the second run. So there if Crompton is coming up with these products. Do you see more challenges for us?
- Chandru Karlo:** See, first of all, that end of the business is very small for us. You're aware about that. Secondly, what I think, the investment we've made in Ultrafresh gives us a significant edge for that end of the business, because you know, that Ultrafresh has already 89 studios of theirs where they're selling kitchens, and they're all going to be selling Prestige, kitchen goods and cooktops in these 89 stores, which gives us a straight off, readymade launch pad while they will have to build that store base. So in that sense, we are talking to a customer who is making their kitchen and at the same, that is the time when they're likely to buy these kinds of items. So I think we are very well placed. The investment in Ultrafresh will be more than adequate to actually grow the business rather than defend. I believe we will be aggressors very soon. And, therefore I think, this

category will become very important to us. We've also got new products coming-in in that category wherein we'll address the issue of being second run instead of the mainline players. Hopefully in the next couple of years, we shall be able to achieve that.

**Ranjith Sivaram:** Sir lastly, one, if you say separate the standalone from consol it's a loss this quarter, so anything in that, if you can throw some light?

**Chandru Karlo:** Yes. The UK markets have been less than, happy in the last one quarter, as you can see. And therefore there has been, significant drop in their top line, reducing their operating rates. Their gross margins are good, but unfortunately, because the operating leverage is coming down, they've actually shown a loss. And there's also an exchange adjustment that has come in the consolidated, which is causing that significant drop, exchange adjustment, I think is a one time. I don't think.

**R.Saranyan:** It's notional

**Chandru Karlo:** And that's very notional, going forward the operations, I think we will need a quarter or so to see how the UK economy will do. There are a lot of good things that they have done in the meantime to address growth and topline. We've just launched the product in the US for the first time and they're going to sell online there. So hopefully that would be a new channel for growth. They're also listing in the EU markets for, listing their brands for online sales there. That would be another channel for growth, so that they're less, or right now they're completely dependent on UK and Ireland. They're kind of getting new geographies to hedge that, but how much of this will come into play? I think we need a couple of quarters to see.

**Moderator:** The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

**Aniruddha Joshi:** Yes. Sir one question on, the phasing out of price hike. So, what is the total price hike for this quarter? Means not, taken in this quarter particularly, but, the price hikes taken in earlier quarter, what will be total price hikes effective in Q2 Q3 and by Q4? That is one question. And, second is on, Horwood. So basically Horwood has remained in investment mode and, even in this quarter also the profitability is bit actually adverse. So, how do you see the outlook and considering the likely recession in developed countries, Europe, UK, et cetera? So how do we see turning that business into a profitable that is generating positive EVA higher than cost of capital, ROC?

**Chandru Karlo:** So let me first answer your Horwood question. The Horwood has not been in investment mode all this while, yes most of the time since we acquired it, last year, for example, Horwood turned around a fantastic performance. Last financial year if you look at Horwood's performance, they've had a steady growth, both in top line and bottom line. This time around in the Q1, they've had a serious headwinds because of what everybody knows. There's been a food inflation, there's been an energy inflation. There's been an overall, downturn in the UK economy, which is what is causing this. So these are factors beyond our control. The point is what is in their control. They're doing enough. We believe to expand their base of customers, to expand in number of geographies in which they operate. I believe that even now, relatively speaking over their peers and their market, they will probably be performing better. So that is on the Horwood story. On the realization story, price increase story it's difficult to answer that question fully because, you see, what realizations we get are a function of channel mix, model mix, and, all of those. So if you look at the actual price increases that we took, depending on the category, we have taken close to 8% to 10% in pressure cookers and cookware. We've taken 12% to 15% in some parts of the appliances. And in some appliances we've taken in single digits also, overall, if you have to extrapolate net of inflation, what is the price increase or it is difficult, but I would say between 8% and 9% is what you are looking at price increase, but it varies depending on the module mix or the channel mix.

**Moderator:** The next question is from line Aadi Jain from Ampersand Capital. So ahead.

**Aadi Jain:** My question is that, in this quarter while your gross margin has improved, on a sequential basis your EBITDA margin has gone down because of your other expenses. Were there

any particular advertisement related or any particular thing that you would like to flag out?

**Chandru Karlo:**

EBITDA margins have gone down with respect to what?

**Aadi Jain:**

This March quarter?

**Chandru Karlo:**

No, you must not look at sequential quarter performance because ours is a very seasonal business. You have to look at it on a Y-on-Y basis. If you look at it on Y-on-Y basis, there is an increase in margin in EBITDA. And, so therefore I wouldn't look at it sequentially because there are several things that come into play between Q4 and Q1. And they're not really comparable, not in our business at least.

**Shankaran:**

We have been maintaining that if you take a moving 12 months period we will be able to maintain a margins of 15%, that's what we are adhering to.

**Aadi Jain:**

15%, one five.

**Shankaran:**

Yes, we are closer to that.

**Aadi Jain:**

Okay. Because your March quarter, the financial year '22 here the raw material costs were so elevated your EBITDA margins were somewhere around 17%.

**Chandru Karlo:**

Yes. But then it's a question of a combination of other expenses and other things like that in the Q4.

The timing of these expenses vary from quarter to quarter. And we are not here to look at the numbers for every quarter. We are looking at a stable 12 months period and take our decisions accordingly, the spends will vary. Therefore as a request at least, I would rather look at what has been moving gross margin and EBITDA margin. If it stays within the range of plus or minus 1%, I'm not losing anything.

**Aadi Jain:**

Understood. That means what you are saying is that your full year margin is going to be lower than last financial year?

**Chandru Karlo:**

That is what said because of the commodity pricing right at that point in time.

**Aadi Jain:**

Understood. And the other question that I wanted to ask is that, while you were talking about bit of a higher base for quarter two where the growth will be subdued, but, you were saying that your full second half will be much better. So the overall full year, are you looking at healthy double digit growth in?

**Chandru Karlo:**

Of course, yes, definitely.

**Aadi Jain:**

Okay. And this is despite the fact that what you are facing in exports and, in your international subsidiaries?

**Chandru Karlo:**

Yes.

**Aadi Jain:**

Yes. And sir if I can just ask last question that, you have done these acquisitions and you're trying to fall into, this modular kitchen and all that. Can we just see some more action in terms of your inorganic initiative to something related or something very different than what you are doing now?

**Chandru Karlo:**

We are moving around with the cart. We haven't added anything into it.

**Moderator:**

The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

**Sameer Gupta:**

I have one, but it's slightly long. So kindly bear with me. So basically what I'm thinking is that in COVID times we saw little tailwinds for our business. There was extra demand

for kitchen equipments, people spending more time at home cooking at home. They were share gains from organized. Given now that we are latching on these in the basis, also kitchenware are now renewed for these kitchens and that renewal or replacement demand will only come maybe four or five years later. And plus there is added inflation and volumes in the mass end are under pressure. So how confident are we of delivering a double digit growth rate in second half and beyond, is it contingent on the overall consumption environment picking up or we are confident on our own efforts in distribution expansion, et cetera, any details you can share on that front non south versus south would be helpful?

- Chandru Karlo:** See, the market according to what we see, we are confident of doing what we just said, which is having a healthy double digit growth. I believe that we can do what is in our control and we have to manage what is not in our control and what we believe is we don't believe any catastrophe is likely to happen. Hopefully I'm right, hopefully nothing wrong happens to India. And in that sense we will beat, we will be the industry leading growth threat even now, I believe we will continue to innovate and continue to launch many products and continue in our efforts of marketing and branding and customer centric innovation. And that's what gives us the confidence beyond that whether in spite of everything will I grow? I think it'll be arrogant on my point to start to say, yes.
- Sameer Gupta:** This growth that we are targeting is largely going to be led by entering newer markets, getting more consumers into the TTK Prestige foray is that understanding, correct?
- Chandru Karlo:** These are strategy issues. I can only tell you that we are cognizant of the fact that the inflation hits a certain section of the society. And certain section of the society is relatively immune to this inflation. And I believe that that forms part of our marketing strategy and our product strategy and our channel strategy. There is a constant effort to expand on our distribution and channel dominance, in various parts of this country, which is continuous process. There is no such thing as tomorrow morning, everything is done. It's a continuous journey and that we are embarking on. Therefore, I believe that we will have better growth rates as we go along.
- Sameer Gupta:** Just one follow up, sir. Can you give a split of your south versus non south revenue split?
- Shankaran:** It remains around 50:50, plus or minus 2%, depending upon the seasonal quarter.
- Sameer Gupta:** Got it. 50:50. It is. Okay.
- Shankaran:** Yes.
- Moderator:** The next question is on the line of Digant Haria from GreenEdge Wealth. Please go ahead.
- Digant Haria:** Sir, we have constantly high, because the high end products are doing well and the entry range products are not doing well because that segment has been hit initially by COVID and now by inflation. So in that entry level segment, are there any game shoots at all in any channels, like, say if there were good monsoon, good crop in the last winter season, like rural doing a little better or, it's uniformly, that is one segment which is not doing well.
- Chandru Karlo:** No, I think the green shoots are there because I think the food inflation has abated, that pressure is going off, monsoons are slated to be good. So I'm hoping that the second half of the year is good, which is what I've stated. And we have an added push on our lower end brand, which is Judge, which we are at this moment expanding on distribution, but clearly that is very much smaller than Prestige to be of any significance, but I think we don't want to lose any kind of customer. So all of this put together, I believe that we are seeing something, but having said that at this moment, when we say that the lower end is hurt by inflation. It's not as if there's a disastrous situation there. It's a lack of growth or a slight, de-growth in those segments while there is a growth in the upper end segment. That is where it is. So in overall category itself, the volumes are still very same.

- Digant Haria:** Right. Sir before COVID we used to, or maybe before COVID we used to do some sales through these microfinance companies also, which were primarily in rural areas, now have they started, because I think that sector has started dispersing and doing well in last six months?
- Chandru Karlo:** Yes. That segment is quite active both in Q4 of last year and Q1 of this year, that segment has been quite active.
- Moderator:** The next question is from the line of Naveen Trivedi from HDFC Securities. Please go ahead.
- Naveen Trivedi:** Can you just share the mix of entry level and the premium for our business?
- Chandru Karlo:** I don't think I would like to share that part of the business, I believe that is competitive and sensitive information.
- Naveen Trivedi:** But any ballpark number from the industry point of view?
- Chandru Karlo:** See, it depends on which category you are speaking of it depends on which geography you're speaking of, et cetera, et cetera, there are categories where the mass end is 70% and the upper end is 30%. There are categories where it is 60:40, so it is a category specific trend.
- Naveen Trivedi:** Sure. And, lastly on the margin side, so, I'm not taking you for any quarter specific thing, but on a sustainably, how do you look at your EBITDA margin, in the medium term sort of point of view, considering a lot of cost, has been restoring, like traveling and other expenses while on the RM side, we are also seeing softening. So, and the third angle is we are seeing, some sort of, volume pressure from the external environment point of view. So in that context, how do you think that, you EBITDA margin on an yearly basis are sustainable?
- Chandru Karlo:** Like as Mr. Shankaran said, I mean, a 15% EBITDA plus minus 1.25% is what is there. We are not looking at minus from 15% at this point in time, we're very confident of delivering that 15%. Last year we were at 17.4%. I believe that given that last year was a very benign commodity situation, and like you correctly said in other expenses, there were lower expenses. I believe that, within a 1% band of that, we should be able to deliver, but, giving a guidance on EBITDA in these times is, something that one has to be very careful about. But I think we are fairly confident that the margin structure is robust in the company. We are doing everything to make sure that we are stable and deliver that kind of margin constantly.
- Moderator:** The next question is from the line of Pathanjali Srinivasan from Mirabilis Investment Trust. Please go ahead.
- Pathanjali Srinivasan:** What is the A&P spend that we are doing right now as a percentage of our top line?
- Chandru Karlo:** A&P spend is around 6% to 6.5%, depending on which quarter you're looking at.
- Pathanjali Srinivasan:** Okay, sir. And what is our e-com sales like as a percentage of sales?
- Chandru Karlo:** It's around 15%, 15 odd percent.
- Pathanjali Srinivasan:** So how has this changed compared to the period? Like where, in COVID most of the channels were shut for physical purchase and all and how much of it has, stayed back and what is our view on this? Can you just go up further from here?
- Chandru Karlo:** So you have answered the question yourself last year, the markets were closed this year, the offline markets are open and I believe that people have come back in a big way to go and shop offline as compared to online and therefore, that has happened. And I believe that going forward, the trend on, online shopping will be between 15% and 20%, 22% is what we believe is that, that is the kind of band that we are looking at.



- Pathanjali Srinivasan:** Our own view is that our touch and feel customers are, as in customers, still prefer doing that more than buying it online. Is that right?
- Chandru Karlo:** In this quarter definitely. We've seen they have come back in a big way in the offline segment. That's what we are seeing last year of course they had no option last year they had to buy only online because the markets were closed.
- Pathanjali Srinivasan:** Okay, sir. And just like a similar question, what a previous analyst has asked, this mass market and premium, like I don't want a number or something, but from an SKU perspective, what is our SKU mix like for mass market products and premium products?
- Chandru Karlo:** Yes, we are well segmented in every single major category of ours. We have products in each and every price segment. And in fact you are looking at it as two segments, in many categories we look at it as four segments, five segments, depending on which grade we are talking about. So, it's difficult to say how many SKUs we have in each segment. You can be very confident that we are well represented in all segments.
- Moderator:** The next question is from the line of Rushabh Sharedalal from Equirus PMS. Please go ahead.
- Rushabh Sharedalal:** Just wanted a small clarification, that you said that the revenue guidance, so it'll be a 15% growth from H2. right did I get that correctly?
- Chandru Karlo:** We said we will have a healthy double digit growth for the H2.
- Rushabh Sharedalal:** And just another small clarification that I needed. So, this INR 5,000 crore revenue target has been pushed back from FY25 to FY27 did I also get that correctly or am?
- Chandru Karlo:** Yes that is correct. That COVID has pushed us back by two years.
- Moderator:** The next question is from the line of Akash Kapadia from Yes Securities. Please go ahead.
- Akash Kapadia:** Sir what will be our CapEx plan for FY23 and where you would spend that, if you could channelize?
- Chandru Karlo:** What was the second part of the question you wanted CapEx for FY23 and the second part?
- Akash Kapadia:** And for which product we'll be using that CapEx largely for?
- Chandru Karlo:** So our CapEx for this FY23, and I'm not taking into account any CapEx, which was, carried forward from last year is about INR 120 crore. And I believe that kind of money would be spent this year on CapEx. CapEx is on various parts of the company. We are embarking on a huge retail expansion on a company owned franchisee operated mode. There is also capacity expansion in manufacturing. There is a lot of automation that we are planning in manufacturing to maximize machine utilization, quality improvement, reduced costs, et cetera, et cetera. So all of these put together is where this kind of money is being spent. The capacities are being expanded in pressure cookers and cookware both.
- Moderator:** And as there are no further questions from the participants. I now hand the conference over to the management for closing comments.
- Chandru Karlo:** Thank you everyone for coming to the call. As I said, we've had a good quarter and I believe that, we are well on course to a good year ahead. As we go along and things are looking alright, there are some headwinds without doubt. There are some small issues, but I believe that there's nothing that we haven't planned for or ready to face, we are competitive. We have many new products for the coming period of the year and we believe that we will end the year in a good way. Thank you very much.
- Shankaran:** Thank you.

**Moderator:**

Thank you. On behalf of Ambit Capital that concludes this conference. Thank you for joining us. And you may now disconnect your lines.