



“TTK Prestige Limited  
4QFY23 Earnings Conference Call”  
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**MANAGEMENT:**

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

**Moderator:** Ladies Ladies and gentlemen, good day, and welcome to the 4QFY23 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 star then zero on a touchstone 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:** Thank you. Hello, everyone. Welcome to TTK Prestige 4QFY23 Earnings Call. From the management side today, we have with us Mr. TT Jagannathan, Chairman; Mr. Chandru Kalro, Managing Director; Mr. K. Shankaran, Whole Time Director; and Mr. R. Saranyan, the CFO of the company. Thank you, and over to you, sir, for your opening comments.

**Chandru Kalro:** Thank you, Dhruv and a warm welcome to everybody on the call, and thank you for your time. We've just completed our Q4 of what I would call a very volatile year and which started very well. And then you know what has happened to the Indian economy and the inflation and everything else that came with it.

I think given whatever happened, we've been able to achieve our committed band on EBITDA front and the profitability front. We've done a lot of nice things to make sure that the company is future-ready. And Q4 by itself has also seen several one-offs, which is why the things are where it is and we can explain those as well. And overall, I think we are well placed for the coming year.

And I would now, I think, explain more as the questions come up. So over to you all for the questions.

**Moderator:** The first question is from the line of Sameer Gupta from India Infoline.

**Sameer Gupta:** So as you stated during the opening remarks, just wanted to understand, like, first of all, the one-offs, then is it a genuine demand situation worsening,

which has largely is the primary impact? Or have you taken any major price cuts? Is it the lower end, which is impacted more or now? Are we seeing the impact of a slowdown even in the premium end segment? So just trying to get more granular details on the demand front, sir?

**Chandru Kalro:**

Okay. So broadly, let me say that the inflationary situation has certainly impacted the entry-level products wherein the price pressures have increased, and the competitive intensity also has been of a very different nature. That is at one level.

Demand, of course, has not been as robust as it should be, given that there is a shifting share of wallet that is being happening ever since the second half has happened after the festival. Travel, hospitality, subsequently, cooling products, etcetera, etcetera, the share of wallet has also been shifting. I don't think there's a major issue in terms of demand, except that it is not growing as fast as we want to. The premium end also, I think given penetration levels in those households, unless there is a reason to come back, they don't come back. So that is where it is.

On the one-offs, is basically -- there was a little bit of clean-up on the obsolescence inventory that will probably show up in the COGS, which you would have seen if you -- if that has contributed to about 1.15%. I mean if that was not there, we would have been almost at the EBITDA levels of last year, which was our peak EBITDA levels in several quarters. So in that sense, the profitability of the company is pretty robust. The demand situation is not bad but not great. And hopefully, the share of wallet and discretionary will come back to favour very soon.

**Sameer Gupta:**

Sir, just one follow-up there. This 115 bps of impact on gross margin, I didn't get it. Is it a one time

**Chandru Kalro:**

So there was some obsolescence inventory, which we had to write off.

**Moderator:**

The next question is from the line of Ravi Kumar from Moat Financial Services.

**Ravi Kumar:**

So my first question is what is the geopolitical crisis, what's happening up? Is there any shortened demand into export? How the export is going?

**Chandru Kalro:** So the geopolitics has actually created a cost of living crisis in many of these developed economies, which is where we get our exports from. And the other thing is the geopolitics has also meant, and the COVID has also meant that the stocking on the supply chain has gone all right. So I think 6, 8 months back, many of our customers were overstocked because they got inventory after a lag. And when they got the inventory, the inventory did not get sold out because of the inflation and other issues in their economies. So that, therefore, there has been a temporary dip in the demand for further imports from their side. So that is how the geopolitics is impacting.

And I think the inventories at their level also have been optimized since and this year, exports will normalize the way they should. And the China plus one is now becoming even more aggressive in many of these export-driven economies, I mean, these importing economies. And we are there to gain from that.

**Ravi Kumar:** Sir, my second question is on the online sales. How are they performing? Is there any growth in the e-com sector? Or is it flattish?

**Chandru Kalro:** Growth is flattish at this point in time, as we've seen in most other channels as well.

**Moderator:** The next question is from the line of Aniruddha Joshi from ICICI.

**Aniruddha Joshi:** Sir, two questions. How do you see the revenue recovery in this year? FY24, would you like to share any indicative numbers or guidance in a way on how you see the revenue standing out? Also, we keep hearing that there is a slowdown at the rural level and even there is a lot of discounting on in the market. So what are the 2 to 3 key strategies, which are done by TTK to counter that? And lastly, where do you see the margin ending in this year considering there is considerable reduction in the commodity prices?

**Chandru Kalro:** We will first not give a guidance at that first level. We can at best give you trends in terms of demand. I believe that demand, as I said, will come back in the second half of this year. In the first half is sitting on a base of last year's first half. Second half, this will come on a base of this year -- I mean, last year

second half. And I think the growth will start happening in the second half of this year, and it will be flattish in the first half of this year. That's how it seems like.

On the gross margin front, commodities are stable. They haven't come down. And whatever gross margins you are seeing I think we will be around plus/minus 1% or 1.5% around that. That is where I see it.

**Aniruddha Joshi:** Okay. Okay. And what is the strategy against the excess discounting done by many players in the market? Also we...

**Chandru Kalro:** Our strategy has always been, and it continues to be innovation. We will continue to launch extremely good breakthrough products. And that pipeline, as always, is quite robustly full at this point in time. We have many, many new products behind.

The second thing is, I think we've forgot to mention that we are doing a full-fledged rebranding of the Judge brands, and we are now calling it Judge by Prestige and then distributing it through our mainline sales force as opposed to separate sales force. And this would help us segment the market better.

Our more stronger player at the entry-level price points, which we seem to -- we don't want to take Prestige to, and give us an opportunity to expand on our market share. On the premium front, our innovations will play so that we can then play on that side. That is the broad strategy.

**Moderator:** The next question is from the line of Devansh Nigotia from Zinta.

**Devansh Nigotia:** Just a couple of questions. Wondered if we compare our pressure cookers field with our peer which is also premium brand in aluminum cooker. So this is a very -- there is a lot of divergence between the sales performance between us and them. So if you can help us understand over the last 3, 5 years, if at all, what has not played out for us, what has led to the divergent sales performance?

**Chandru Kalro:** You mean that the other players are growing faster than us in the pressure cooker. Is that the question?

- Devansh Nigotia:** Yes, yes.
- Chandru Kalro:** So as I was saying, a large portion of our sales is in the aluminum pressure cooker segment. And the price competitiveness of the aluminum pressure cooker segment in the Prestige brand has always been in question, which is why the pricing has been a problem and we don't want to dilute the Prestige brand down. And I think their strategy to have a multi-brand approach has now evolved over the last 2, 3 years, and we have decided to get more aggressive.
- Devansh Nigotia:** So if you look at Judge, it has never been our focus area on. So in terms of same mix also I think it's 1%-1.5%. There has been negligible scale-up over there. So then how do we now see ourselves competing with the entry-level players who are going through aggressive discounting.
- Chandru Kalro:** We will come out with innovative products. And I think we are increasing our focus on Judge.
- Devansh Nigotia:** And what could be our entry-level exposure, I don't know. Excluding Judge also, are there any price points -- let's say if you -- let's say something like aluminum pressure cooker is an entry level product, so what would be the mix if at all you can share anything?
- Chandru Kalro:** No, I don't think we can share that. But I can tell you that the aluminum pressure cooker contribute to around 10%, 12% of our total revenues. As a company, we are extremely derisked. We are neither heavily leveraged on a single category, nor heavily leveraged on a single channel or on a single geography which is why we have been so stable.
- Now there are new players who come on a very small base and show a higher growth. Now the point is, the proof of the pudding is how consistent that growth can be. And if you see that they will fizzle out in the 4 or 5 quarters. But then every time it's a new person coming in, creating a nuisance, that is what is happening.
- Devansh Nigotia:** And in case of growth also, I mean, the scale-up did not happen as we expected it to be and then it's further aggravated with the challenges in the

U.K. So if you go back, 4-5 years back, you are very confident about how we are scaling up. So what we think what has not once for us? And how are we thinking of scaling the business over the next 2, 3 years?

**Chandru Kalro:**

Horwood has never seen a stable period of 2, 3 years. When we took it, Brexit happened. When -- one year back i.e. 12 months back, Horwood recorded its highest ever turnover and its highest ever profit. Then the Ukraine war happened. And the cost of living crisis happened. But it's through all this, the company has been stable at that between 15 million and 18.5 million turnover. What has not been able to do is break through and go past that 18.5 million. The reason has been because of the volatility and other factors.

Now if in this period, nothing else had changed, I would be disappointed. But what has happened is the company we acquired was a company that largely was operating in a single channel of U.K. independent retail. Today, it is very forward-looking, digitally enabled multi-channel company. And if everything goes well in the economy, as we are now hearing that the U.K. economy will be back to growth in the next few months and the inflation will abate, Horwood will be in a very good position to come back to growth.

**Devansh Nigotia:**

But from U.K. also, we wanted to diversify to other geographies in Europe. So on that front, where do you think we are right now. Did that play out and if you can help us understand?

**Chandru Kalro:**

The answer lies in the Brexit issue itself. The Brexit deal with EU, as you know, happened 1.5 years or 2 years back. Subsequently, just very recently, there has been a new deal on the Brexit with Ireland. So the geographies that Horwood had planned to go to was largely in Europe and U.S.. They had some business in Ireland.

Given this volatility, it has obviously put them back. Given that the fact that the U.K. itself was going through such turbulence, the business had to be stable. Let me assure you, it's clear proof, that peers have not done anywhere near as well as even Horwood has.

- Devansh Nigotia:** And how do we see the growth profile for the company over the next 2, 3 years? What can be the good growth engines for the company?
- Chandru Kalro:** The good growth engines for the company are e-commerce, multiple brands, segmentation, new products, and new geographies. We have already established a start in the U.S. I believe that, that is just a small beginning. And these are the things that will come instead.
- Moderator:** The next question is from the line of Indrajit Agarwal from CLSA.
- Indrajit Agarwal:** I have a few questions. First, sir, when you talk about rebranding the Judge brand entirely, are we looking to get more aggressive on pricing as well? Or how are we looking to price it versus competitors?
- Chandru Kalro:** No, we are not looking at more aggressive pricing, but we are looking at better marketing, more distribution, better merchandising and leveraging the overall reach of TTK Prestige in the market, which we were not doing earlier. That is how we want to leverage the Judge brand. Of course, leveraging it with the rebranding of Judge by Prestige rather than Judge from U.K. .
- Management:** Till now— it was a tactical positioning , it is in strategic positioning from now. So that we can have better segmentation of the market.
- Indrajit Agarwal:** Sure. I'm not sure if you share this. Do you give out how much is a Judge brand revenue in India overall?
- Chandru Kalro:** That's around INR50 crore last year.
- Indrajit Agarwal:** INR50 crore, okay. And lastly, you had set a target of INR5,000 crore top line in the 5-year period. Any progress on the inorganic front or any right shifting of that target that was in this...
- Chandru Kalro:** The inorganic front is a constant thing that we are evaluating different, different proposals. Nothing to report at this point in time. But I can tell you, we are getting a little more aggressive now towards looking more -- for more and more opportunities, nothing to report at this point in time. So yes, it is right shifted.



- Indrajit Agarwal:** So if we recall correctly, you had mentioned that INR3,500 crore will be organic, INR500 crore will be export and INR1,000 crore inorganic. The INR3,500 crore organic, does that remain accrument or that has been right-shifted as well?
- Chandru Kalro:** So we said, I think, FY '25, we will hit INR3,500 crores. I think that we should be able to do that. So we are basically what are we saying, we need 15% to 17% growth in the existing businesses to achieve that. And I think there, we are on track.
- Indrajit Agarwal:** Sure.
- Moderator:** The next question is from the line of Prakash Kapadia from Anived Portfolio Managers Private Limited.
- Prakash Kapadia:** Yes. A couple of questions from my end. At a time when your real estate sales have been so buoyant across the country, why is that buoyancy not get reflecting in our domestic sales? I'm not looking at a specific quarterly number, but if I look at annual trends, 4% to 5% growth seems low in this background. So how does that add up? Or what am I missing?
- Chandru Kalro:** I will say new because the real estate bookings are different from real estate deliveries and occupancy. And I don't have the data for time taken by delivery converting into occupancy..
- Prakash Kapadia:** Post-COVID, we've seen that real estate has been doing well and some of the deliveries have also been happening. So it's not a 1-quarter or 2-quarter phenomenon. It's been 2, 3 years, real estate has been pretty buoyant. And that too across the country, not specific cities.
- Chandru Kalro:** So if we are looking pre-COVID to post-COVID, I don't know what number you are looking at. We have grown by close to 30% from that time. Please look at the numbers. If we look at FY '20, we ended up with, what, INR2,077 crores. We were at INR1,936 crores or something like that.
- R. Saranyan:** INR1,937 crores.

**Chandru Kalro:** And we are at INR2,600 crores or INR2,700 crores, it is just 30% over pre-COVID to now.

**Prakash Kapadia:** That's 10% growth. So I'll put it the other way around. You said 14%, 15%, 17% growth on the organic side should be possible from year on then how will the step-up happen? Let me try and put it in a different way or understand from a new product perspective because I think the press release has mentioned your launching new SKUs in Q1. So if you could give us some more direction in terms of what categories we are looking at or what will drive growth, how will this sales trajectory move higher from here on? Obviously, we've grown, but this seems low as per our brand, our company, our image, our potential is what I'm trying to say.

**Chandru Kalro:** You have to evaluate it from what it is with respect to our peers, right? Now coming back to the question, what will give the kickstart to that, first some stability in on our market situation. And I believe that you will agree with me that there has not been any 12 months, which you can say is stable or comparable in the last 36 months.

**Prakash Kapadia:** I agree to that.

**Chandru Kalro:** Right? Now which products we are going to launch, I don't think I should tell you now because it is competitively sensitive situation. But I can tell you that there are identified growth categories that we have, wherein our market share is either low in a high-potential category or lower in a geography, which has high potential and products are there for those.

Some of these products are also in areas where a very innovative approach, like, for example, we had this Svachh gas stove last year. The Svachh platform is being extended to the entire cooktop situation. We have got some excellent induction cooktops coming up, so on and so forth. In pressure cooker itself, we've got some very nice launches happening. So these are some of the things that will happen. The new products will drive. There is also Judge, which will have its own level of market share demand from the entry-level area. These are things that can kickstart growth.

- Prakash Kapadia:** And typically, what has been new product contribution to our sales? How has that been trending? And are we looking at a higher number from new products as we move forward and aspire to grow faster?
- Chandru Kalro:** Close to 2/3 of our growth in the year comes from new products. Now if you make pressure cooker in a category, almost 90% of our pressure cookers are now Svachh, of our launch within the last 2 years. Now that is 35% of our revenues.
- Prakash Kapadia:** Right. Okay. Okay. And lastly, from my side, you mentioned discounting happening at lower end by certain new brands or certain online specific channels. So what percentage of our portfolio would be competing with such price points or such brands?
- Chandru Kalro:** Depends on which category we are speaking of. Our core categories, a substantial portion -- I mean, I can't put a number to it. I haven't looked at it that way. But these are high-volume driving price segments, which we sometimes don't want to go because it can have a very debilitating effect on the rest of the brand. So we stay again. Remember that this company makes a 15% EBITDA, nobody has made it in this peer group. .
- Prakash Kapadia:** I'm not doubting and under this thing, our potential. I'm just trying to understand why and how will we grow faster is all what I'm trying to understand.
- Chandru Kalro:** Innovation, just we would say with segmentation, innovation, distribution, segmentation and aggression.
- Prakash Kapadia:** I look forward to all of these being contributing to higher growth in '24 and beyond.
- Moderator:** The next question is from the line of Resha Mehta from GreenEdge Wealth Services.
- Resha Mehta:** Sir, my first question is on, again, something related to what the previous participants have asked. So if we see we have a very strong brand. We launched -- keep on launching a lot of new innovative products, right? And --

but despite that, if we see our -- and I'm not talking about 1 quarter, right? If we look at, let's say, in a 1-year performance, 3-year or 5-year top-line growth performance, it's in that 8% to 10% CAGR versus our peers being in that -- the other two listed peers have reported their numbers, them being in the 13% to 15% top line CAGR, right?

Now you did speak about cookers that's why -- because we have a higher aluminum SKU in our portfolio, right? That is why our CAGR is lower versus our competitor. But can you just break up granularly like what are the challenges or is it that the other categories like gas stoves or mixer grinders, etcetera, where -- or the other electrical kitchen appliances the competitive pressures have become very, very high over the last 3, 4 years? Or is there some other sales and distribution rejig that we are doing or something of that sort which has kind of contributed to lower growth? Because one, again, that I'm comparing to is a out-base player. I understand your channel mix was very skewed towards e-com. And the other is still a pan-India player. So that's my first question.

**Chandru Kalro:**

So let's look at pan-India player, you please look at his growth in pressure cookers over the last few years. You will see that both of us have reflected or mirrored each other's growth. The other #2 player in pressure cookers will reflect our growth or mirror over growth, what seems to have happened as a trend in the last 2 or 3 years. It's after demonetization and GST.

The drop in participation of the regional unorganized players had happened. So that is under resurgence because things have now stabilized. And their ability to drop price is better than ours. We have to be very stable on our pricing, which is connect thing too. So if you look at our growth rate, vis-a-vis a comparable player, it is very comparable. If you look at our growth rate vis-à-vis, an aggressive new time -- new upstart that is something I don't even want to look at.

You look at -- there are some players, for example, another south-based player who uses pressure cookers as a tool to sell their appliances by actually selling their product very cheap in the open market, which is also competition. So there are very different types of competition that we count on.

Our response has always been to go with an innovation. We patented the Svachh concept. We launched the Svachh concept, moved 90% of our cooker portfolio to Svachh. Now we have copycats coming, which we are actually acting against. So when people start copying you, you know that your product is succeeding, your concept is succeeding and that is the proof of the pudding.

Growth in this -- consistently, you must look for over a period of time. Remember, pressure cooker is an extremely mature category. Category growths are not more than high single digit in a good year and could be a low single digit in a not-so-good year. Now you evaluate our growth rate against that, and you will get your answers. .

- Chandru Kalro:** And their base is so low. 14%-15% on their base means nothing.
- Resha Mehta:** Right. And can you like break this up granularly into gas stoves and mixer grinders and other kitchen electrical appliances as well? You've spoken at length about cookers. I take your point.
- Chandru Kalro:** Mixer grinder for example, and look at our 5-year CAGR. We've added double-digit growth.
- Resha Mehta:** Right. that's roughly a 11% kind of a CAGR that we are looking at. But just wanted to check, sir, are we losing any market share in any of these categories like gas stoves, mixer grinders or other kitchen electrical appliances?
- Chandru Kalro:** Mixer grinders, we have gained market share. We would have lost market share in rice cookers because we moved out of China, and we were moving supply chain here. We've led to the Kettles category, which is a very big -- becoming a bigger category. We have done a double-digit growth in our mixer grinders, Svachh gas stoves have just started getting traction. We are at a high single-digit growth in terms of CAGR over the last so many years. And you please look at the CAGR on gas stove with our peer groups specifically, we will probably be equal, if not better.

**Resha Mehta:** Right. Sir, would you say that the competitive intensity that we -- the resurgence in the competitive intensity post-demon, GST that you have witnessed. Have you witnessed this kind of competitive intensity, let's say, some 10-15 years back and what was the behavior of the market then? Or any color like you would want to give on that?

**Chandru Kalro:** It is very similar. And even then our response was consistent to what it is today, innovate, -- lead the category, add value to the category and give a reason to the customer to find a new value proposition. That is how we have approached this and that is how we have maintained our leadership.

**Resha Mehta:** Right. And my second question is on sales and distribution. So all your categories, etcetera, are catered to by a national sales team, like you just called out that Judge basically had a separate sales team but now that you're clubbing it with your national sales team. But otherwise, all other categories have been through your national sales team, so the same sales person goes to a retailer and tries to sell mixer grinder, gas stove, kitchen electric appliances, all your -- in your entire product portfolio?

**Chandru Kalro:** No, there are verticals that we have created. We have created a kitchenware vertical and an appliance vertical. And there is a separate sales person who goes for both these. Of course, he handles multiple categories unless the business is too small in which case, all will be under one person.

**Resha Mehta:** And has this structure been in place since the last couple of years? Or have you made some major changes in the last 3, 4 odd years?

**Chandru Kalro:** It has been in place for the last 20 years.

**Resha Mehta:** Okay. And lastly, what would be the universe of kitchenware retail outlets pan-India? What is our reach there? And yes, if you could just comment on that.

**Chandru Kalro:** In the last census that happened, showed about 130,000, 140,000 outlets across the country, in which they showed about 65,000, 67,000 outlets as Prestige driven.

**Moderator:** The next question is from the line of Nitin Shakhder from Green Capital Single Family Office.

**Nitin Shakhder:** My question is not as an analyst, which I'm sure the management has already explained on volume guidance on that. But more as an investor, so this Q3 cash flow of around INR840 crores, which is about INR500 crores on cash balance and about INR300 crores on receivables. I just wanted to get a sense of how this will be deployed in terms of FY24, any strategy in terms of allocation of capital, if you can sort of approximate on that, please?

**Chandru Kalro:** So Nitin, our capex will be between INR50 crores and INR75 crores year-on-year for the next 2, 3 years, given our capex strategy. Otherwise, in terms of free cash flow on a yearly basis, pre-dividend, I think you're getting about INR250 crores -- INR200 crores to INR250 crores, which will keep coming in.

You know we are looking for inorganic. You know that we are in the position today to acquire without even borrowing a decent sized acquisition, provided it makes financial sense. As of now, that is where it is. I mean, what if nothing happens very soon, I know the kind of expectation on this front, and we will come back to you if there is nothing happening. We are still looking at -- we are a growth-oriented company. And I believe the money can come in handy the moment we find the right plan for it.

**Management:** So we don't want to leverage the company to acquire business. We would like use the free cash. That's one of the reasons we are retaining free cash. You see, over the years, we have been distributing largely less than 25% of the PAT. They're coming to 30% of PAT. So this proportion may increase if we don't have any other avenue to invest.

**Nitin Shakhder:** No. I mean what else coming, we watch from that. We can leverage a little bit more and increase the interest cost by leveraging a lot more capital and looking at acquisition opportunities, increase the growth is declining. So just being slightly more aggressive keeping your -- in process of the company being safe from that point of view.

**Chandru Kalro:** No, you're absolutely right. But the point is that it's not that we are shying away from anything. It's not that we are shying away from a large acquisition. Provided it make strategic sense.

**Management:** By acquisition we cannot have several brands in the same space with similar products. So we will have to do something very different and very strategy acquisition, which will add value to our balance sheet, not one more cooker company.

**Nitin Shakhder:** Yes. I mean what I was explaining was related to this question is, like, for example, is ONDC which is a very new age e-commerce platform. Obviously, the company might or might not have explored opportunity on ONDC. The return might be right now slow, but I think it has a huge bullish opportunity in terms of ITC is there. And people are ordering food, and I'm sure TTK Prestige can also sell microwaves there?

**Chandru Kalro:** So let me assure you that we are the first company in Bangalore who got on to the ONDC network. We are normally very, very progressive on these things. Direct-to-consumer is occupying a lot of strategic mindset time in our company. Everything is consumer-oriented, and we believe that any such new opportunity, whether it is digital, whether it is omnichannel, whether it is ONDC, whether it is e-commerce, anything that will lead to sustainable business and brand building, we will definitely invest in it.

**Moderator:** The next question is from the line of Naman Bhansali from Perpetuity Ventures LLP.

**Naman Bhansali:** So my first question has been partly answered by in the previous participant's answer. It was related to the industry wherein you mentioned that Prestige is mainly an innovative company. So generally, we observe there are two type of those, innovators and the imitators. And imitators in the industry have been able to replicate their innovation, which Prestige and other companies are putting up.

So my question is that what is the industry witnessed in your experience over the last decade? And which type of strategy works better, as a innovator or



an imitator, to scale up their business because the imitators have been doing at a better scale or see a little bit of efficiencies to get there?

**Chandru Kalro:** Let me tell you, we are of the opinion that innovators in the long run are the leaders. Short term, anything can happen. Innovation, finally, the first mover advantage has a very different mind share in the customer's mind and that has been our strategy. It's not that we have not done a "me too" product. But I don't think we -- that might be tactical. From a strategy perspective, we are clear. If we want to lead in a particular category, we must innovate.

**Naman Bhansali:** Got it. Got it. And second question relating to this is that like we see that many companies in the industry are setting on back integration. So how well does backward integration helps in this industry? And is it worth it to go backward integrative highest sense possible with some of the peer companies are trying to do?

**Chandru Kalro:** In our opinion, it is not going to be worth it because as you grow up in scale, the management of cost by a small entrepreneur or an MSME is far superior than management of cost, especially of components in the value chain by a large company.

That also -- to a certain level of production, which may or may not be required, depending on the demand and therefore, can lead you to wrong decision-making on pricing. So we are of the opinion that we are doing it correctly. We are actually optimized perfectly. We have a great set of partners and vendors who have been with us for generations, and that is the right way to go.

**Moderator:** The next question is from the line of Samuel from Perfios.

**Samuel:** But still, you spoke about Judge brand, right? So the prices are still not competitive when compared to other brands in the rural segment. So Prestige is a good brand name. So that is one thing and now we are coming with Judge by Prestige, but still it is -- the prices are not very competitive when compared to the other brands in the lower segment that mainly caters to the rural people. And also the other one is that right now, there are many competitors in this market, right? So -- and many competitors are acquiring other brands

and all those things. And there is a -- and for some of the brands, it's a one-stop solution for all the products, including cookware, fans and all those things, right? And then there are other lower segments where they just copy the product and sell the product at a much lower price. So how you are planning to tackle those situations -- those scenarios actually?

**Chandru Kalro:** That we have been tackling in the past. Innovation, distribution, aggression, segmentation.

**Samuel:** Okay. So is it only because you're planning to innovate other work on other products as well from Prestige apart from cookware?

**Chandru Kalro:** Yes. In all the categories that we operate in, we will do innovation.

**Samuel:** Okay.

**Chandru Kalro:** We are not going to be the cheapest player irrespective of which brand we are there, and that is not the game we are going to play at all.

**Management:** Quality of sales is very important for us because even in this adverse circumstances, we maintained a healthy gross margin as well as EBITDA margins.

**Moderator:** The next question is from the line of Devansh Nigotia from SIMPL.

**Devansh Nigotia:** Sir, in our acquisition, are we looking to enter mainly in different product categories and not necessarily in existing scale of products? Is that the strategy?

**Chandru Kalro:** We are looking at an acquisition that can get us entry into an adjacent category or an HSL distribution and not necessarily the existing categories that we are because today, we are truly a pan-India player. We don't need any other brand in the same category to actually give us the crutch of distribution anywhere in India. And we are therefore looking at can we get a new category, can we get something adjacent, which is substantial, which can add to growth and top line. That is the kind of things that we are looking at.

And in India, the valuations are not comfortable. You are aware of that. And anything that we use of the company's money, we have to be first able to justify to ourselves that we are paying the right value. So that is where it is every time falling short.

**Devansh Nigotia:** And sir, regarding cleaning solution as a category, 4-5 years back, you were very bullish on this category, that's a large opportunity size. But the scale-up actually did not play out as expected. So where do you see -- has been the constraint to scale up? And do you still believe that this can be a bigger -- we can reach a bigger scale? And how do you see this category panning out over the next 2, 3 years?

**Chandru Kalro:** So cleaning solutions, we have actually tempered our expectations from that category because as I have been telling in the past in this call itself, if there is a category where we are not able to add value through innovation, we believe that we, as a company, never succeed. At the moment we got out of China and the supply chain became a little more difficult within India and the scale being where it is, we believe that the investment in that category did not just get justified.

So what we are now doing is we are bringing the categories down. We are not going to operate in so many subcategories within the same segment and try and see what best we can do to the categories that we retain and continue. In meantime, in our rest of the kitchen appliances, we are trying to identify at least one or two core categories, which can -- to give us a substantially higher growth.

**Devansh Nigotia:** And in case of innovation there is revamp that we did over the last 1, 2 years. Can you help us understand what exactly did we revamp in the pressure cooker category, which made the product really differentiated? And also, what are the kind of innovation incrementally we are looking forward in the core 4, 5 product categories that we have?

**Chandru Kalro:** So I can't tell you what innovation we are looking at because that is competitively sense -- competition sensitive. But to answer the first part of your question, which is what does the Svachh lead to, Svachh cooker do, we

had a very simple research on pain points of the customer. And what we found out was every time the cooker whistled, the cooker froths, and actually spat out a lot of liquids from inside the pressure cooker onto the pressure cooker and down into the gas stove, which was a hassle to clean. We are trying to just solve that problem or mitigate that problem. And we believe it has resonated very well with the customer, and we have then transformed all our pressure cookers with spillage control lids.

And now that people are using it, they're finding value in it. By doing so, what we are also giving a reason for the customer to discard their existing pressure cooker and buy a new pressure cooker. So these are the things that then create a growth opportunity.

- Moderator:** The next question is from the line of Alisha Mahawla from Envision Capital.
- Alisha Mahawla:** Firstly, with respect to our aspirational target to achieve 16%, 17% organic -- INR3,500 crores sold by '25, are we confident of doing that kind of growth in '24 also because we are expecting H1 to be soft?
- Chandru Kalro:** Right now, I don't want to give you a guidance. This is a backdoor way to ask that question. We have told you what the challenges are. We are, of course, recognizing those challenges and taking strategies to mitigate the issues. We know what our LRP is. We know where we have to reach. And we are going to do our best to try and get there. I don't comment anything at this point in time.
- Alisha Mahawla:** I am not looking for guidance. I'm just looking for the roadmap to the aspiration that we have said because we are confident of achieving the INR3,500 crores?
- Chandru Kalro:** The roadmap is innovation expanding on our segmentation, distribution, that is our roadmap.
- Alisha Mahawla:** In this quarter, we mentioned that we took a write-off for obsolete inventory which impacted our gross margin by 1.15%. Is there any more write-offs that can be expected in the near term?

**Chandru Kalro:** Not substantial. I mean there are -- there is always some kind of obsolete inventory, which is very small. I mean, that happens during the course of a business where you are launching so many new products, and it's likely that something is left over. But that's not going to be substantial. This was a one-off, and we thought it is good governance to actually do away with it and take the loss at this point in time. You achieve so often or again.

**Moderator:** The next question is from the line of Pavan Kumar from RatnaTraya Capital.

**Pavan Kumar:** Sir, can you comment on what will be the price hike that would we have taken across the -- across our products on a year-on-year basis?

**Chandru Kalro:** Last year, there was hardly any price hike actually. We took all our price hikes the previous year when the commodity prices were shooting up. Last year, in fact, we were quite stable.

**Pavan Kumar:** So there were no price hikes, right?

**Chandru Kalro:** Not significant. I mean, there could have been maybe 1 or 2 SKUs here or there, which would have had some problem. Otherwise, nothing significant.

**Pavan Kumar:** Okay. And on the EBITDA margin front, do we -- what would be the EBITDA margin we should look forward to on a stable basis?

**Chandru Kalro:** We have always said that between 14.5% and 16% is what you should evaluate us against.

**Pavan Kumar:** Okay, sir. And since -- even the premium segment, now the smaller players are coming up with maybe the copycat stuff. So how do we plan to exactly, the pay through particular kind of challenges? Is it like we have to, again, create a new product where we are to get a hand.

**Chandru Kalro:** We have the advantage of scale, reach, brand. And a copycat can give you -- you said but our true relationship is with the customer, and that's the true strategy.

**Management:** The copycat catch with the image of our product, not the performance of the product. So they will disappear. They will take some share, minor share to

start with, then they will disappear as well. Some of the copycat will come later. That we are facing last 30 years.

**Moderator:** The next question is from the line of Naman Bhansali from Perpetuity Ventures LLP.

**Naman Bhansali:** I just wanted to understand, is there any positivity that you see over the next 3, 5 years that the industry set lower profitability or lower margins due to these small players providing very low-cost products. What these are provided?

**Chandru Kalro:** I don't think so because this is not something new to us. We have seen through so many business cycles. We believe that our -- every time this come, we are challenged and we react in a manner in which we actually come out stronger. These are all opportunities because when they come, their performance is evaluated.

We live in a very different world today. Any failure is very quickly known to people. The buying behavior has changed. So many things have changed. And I think these are all opportunities. They're not problems. And cost of doing business for them has also increased. It is not that the cost of doing business has come down. Technology has not actually brought the cost down. They have only gone up.

**Naman Bhansali:** Last question is on product specific. So do you see -- what do you see in the air fryer segment? Is it picking up over the next 2 years with respect to the international markets adopting that particular issue? Do you see India picking up that product very well in the season?

**Chandru Kalro:** It will not be a very large category. I mean in Europe, for example, it is a very large category because they do a lot of baking. And most of them have very large ovens. And the energy crisis has forced them buy air fryers because they are much more energy efficient and they can do smaller quantities. That is

why the air fryer in European context has grown as much as it has. In India, baking, grilling is not so much a part of our -- integral part of our cuisine. So it will have a limited appeal in my opinion. But yes, definitely with exposure to international cuisines, we will find elements with some countries.

- Moderator:** The next question is from the line of Alisha Mahawla from Envision Capital.
- Alisha Mahawla:** Just wanted to know on sequential basis. Are other expenses come up sharply, what would be the reason for that?
- Chandru Kalro:** Our other expenses this time are lower ..
- R. Saranyan:** In the Q4, you are asking about.
- Chandru Kalro:** Yes.
- R. Saranyan:** It's primarily because I think we had reduced our advertisement a little bit because some money was spent on the sales promotion, just shifting of expenses from one end to other end.
- Chandru Kalro:** And that has been netted off the top line with discounts, yes.
- Alisha Mahawla:** Okay. And we've been speaking about re-introducing our brand at the entry level where we want to be slightly more aggressive. But the margins over there may not be at the level where the overall company level margins are. So how confident are we of maintaining the price -- the margin by end of 14.5% to 15% that we're working -- that you're guiding for?
- Chandru Kalro:** That, we are very confident of.
- Alisha Mahawla:** Despite incremental contribution?
- Chandru Kalro:** Yes, yes.
- Management:** The more capacity we use in the factory, it absorbs overheads, and get better margins.
- Chandru Kalro:** We leverage the better -- the operating leverage will definitely take care of that problem.

**Alisha Mahawla:** Sure. And what is the ad spend that we're targeting to do as a percentage of revenue for next year?

**Chandru Kalro:** We won't give you that number, but it's -- as a percentage, higher than all our peers put together, and it's been very stable at around that, okay? I think we can. We've done it in the past. Between 6% and 6.5% is what we actually do.

**Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**Chandru Kalro:** Well, first of all, thank you all for some very stimulating questions in this quarter. Let me assure you that the company is in very good stead in some very challenging times we've come across till. We would like to look at ourselves as being consistent market creators, customer-centric players, and we would like to see ourselves as innovators for this industry, which we will continue to do and continue our growth path. Thank you very much.

**Management:** And we end the conference with the customary safe harbour clause. You're well aware of it. Thank you very much.

**Moderator:** Thank you. On behalf of AMBIT Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.