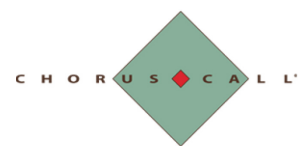




“TTK Prestige Limited  
Q1 FY24 Earnings Conference Call”  
August 14, 2023



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

**Moderator:** Ladies and gentlemen, good day, and welcome to TTK Prestige Limited Q1 FY '24 Earnings Conference Call hosted by Ambit Capital Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you, and over to you, sir.

**Dhruv Jain:** Thanks. Hello, everyone. Welcome to TTK Prestige 1Q FY '24 Earnings Call. From the management side today, we have with us 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.

**R. Saranyan:** Very good evening, everyone. This is Saranyan here. Before I hand over the call to Mr. Chandru Kalro for the opening remarks, I, on behalf of the management, welcome you all for TTK Prestige Q1 FY '24 earnings call. I just want to remind all the participants of the safe harbour clause.

The discussion today may contain certain statements from the management, which may be futuristic in nature. Such statements represent the intentions of the management and the efforts put in by them to realize certain goals. The success of realizing these goals depends on various factors, both internal and external. Therefore, the investors are requested to make their own independent judgments by considering all relevant factors before taking any investment decision.

Thank you. I hand over to Mr. Chandru Kalro.

**M. Chandru Kalro:** Thank you, Saranyan and good afternoon to everybody, and thank you for being here. My name is Chandru Kalro. I have with me Mr. Saranyan, who just spoke to you. He's the CFO; and Mr. Shankaran, who is the Director of Corporate Affairs with me and between the 3 of us, we will be taking all questions.

A word about the quarter that just went by, while the numbers are not as good as the previous year, I think we have by and large, we would say that we are not very disappointed because, as you know, the discretionary consumption has been seeing a slowdown for quite some time now. And as we have stated in the beginning of the year, we expect the first half of this year to be a little slow, and we expect that things should turn around in the second half of this year. And it's in that context that I would like you to see these numbers.

The other thing that has been our focus in this period has to make sure that all our consumer-facing channels are on the growth path. And we have a very balanced channel portfolio without affecting any of the balance, given that the customer today is going to all these channels.

The second thing that we have in focus was to make sure that the basic profitability and the basic brand premiums that we are commanding does not get significantly eroded in spite of various competitive pressures on pricing and promotions during the quarter. As you know, the raw material costs have been benign, and there has been a tendency by competition to pass on this and more, given that the discretionary consumption has been slowed down and everybody wants a bigger share of the pie. But unfortunately, as we expected, nobody got that bigger share. It was just that people started giving away more money, which we didn't want to do. So it was in that light that we achieved the top line that we achieved.

And the third thing is if you see our operating profits for the quarter, the problem has largely been because of the operating leverage being down, the raw material cost ratios have been better, better than last full year and better than last year's same quarter.

I now open the floor to questions. Thank you.

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

**Aniruddha Joshi:** Sir, 2 questions. One, can you indicate the performance of Judge brand in terms of any revenues or any market share it would have gained at the bottom of the pyramid? That is question one. And secondly, there have been media news flows as well as, I guess, that we are in process to launch a premium brand also at the top end of the market. So sir, any update on that? And any progress or time lines on that?

**M. Chandru Kalro:** Thank you, Anirudh. As you know, we announced the segmentation strategy through multiple brands, and Judge being the first one of them. Judge has already been in existence for the last few years. And what has changed now is the total rebranding, which now we call it Judge by Prestige on the logo itself. This quarter, we have been actually integrating this with the rest of the sales system, which is what we wanted to do.

Earlier, Judge brand had a separate sales force and separate distribution, which we believe was actually restrictive. And what we've now done is actually taken that and integrated it with the rest of the portfolio of the salespeople and to give it to the existing distribution of Prestige. The other thing that we did was to actually streamline the portfolio between Prestige and Judge, where there were overlaps, which we believe were not healthy given the segmentation strategy that we had.

So largely, it's work in progress. So these turnovers are actually flat with last year in terms of the brand itself. But what has happened is the brand presence now is getting expanded as we speak. We believe that this process should take a couple of quarters before this can start yielding results as we want.

The idea is that certain strategic categories, like pressure cookers, cookware and maybe even gas stoves, we have Judge as an entry not in all categories that Prestige operates but largely in these 3 categories. And in the rest of the categories, we continue to focus with Prestige so that the pricing conflicts are not there.

And as we go along, we will build a portfolio of products in Judge itself, which are not there in Prestige, for example, stainless steel dinner sets; for example, bottles and flasks, which will now move entirely to Judge, accessories for pressure cookers so that the brand has a separate product portfolio in addition to being specifically or tactically oriented to garner market share for certain core categories. It's largely work in progress at this point in time.

To your second question on the brand at the upper end, that we haven't yet started, though I think the contours of that architecture are being built as we speak. We won't be launching anything in the next couple of quarters. We probably will launch something in the last quarter if everything goes well and if the rest of the strategy falls into place.

**Aniruddha Joshi:** Okay. Sure, sir, that's helpful. Sir, just one more question. Now obviously, we are seeing the opalware as well as ceramic, these kind of products are also becoming quite popular. So any strategy by TTK Prestige to enter these kind of products? And any plans in that regard? Yes, that's it from my side. That was the last question.

**M. Chandru Kalro:** Nothing in opalware as such. We are doing stainless steel dinner sets and not opalware. We believe that, that is something that we don't have the core competence yet. So that's probably where it is. In terms of ceramics, no, we are not doing any ceramics. Tableware, in fact, we have not yet done a full-fledged strategy for tableware.

**Aniruddha Joshi:** Okay. Sir, but any plans on that or not in near future?

**M. Chandru Kalro:** Not at this point in time. Nothing that we can discuss at this point in time.

**Moderator:** Next question is from the line of Lokesh Maru from Nippon India Mutual Fund.

**Lokesh Maru:** I wanted to check on, just obviously, the wedding season was relatively weak this quarter, so this was expected some kind of slowdown for all products. But when we look at the same time, when we look at opalware, like Anirudh mentioned, there I mean the leading brand there has actually posted a growth of, if not much, 5% single digit.

So I just wanted to understand, since we are also leaders within the kitchenware category, anything specific, and we are witnessing this degrowth for last 2, 3 quarters, which opalware per se is not really? it's not fair to draw parallels, but just to understand if there's anything specific which is hurting us from a growth point of view, that would really be helpful, any insights on that part.

**M. Chandru Kalro:** So I mean, I don't know whether we can draw a straight parallel with opalware itself because you're really talking about kitchen appliances and then tableware. These are 2 separate things. And typically, tableware habits probably are changing across because households are now probably looking at opalware as an addition to stainless steel and vice versa.

The other thing is that the selling season for opalware and kitchen appliances are not necessarily the same. As I understand, my knowledge is not complete there, but typically, they start 2, 3 months in advance for Diwali because there are a large number of designs that they need to

produce for the season. And once they do that, they have to produce accordingly. So it's largely a pull-based sell-in that happens in the market, whereas in our case, the products are very stable. We don't need so many designs. It's like almost undergarments and apparel. That's the kind of parallel that's between tableware and kitchen appliances.

In terms of why is the kitchen appliances hurting is, there are 2, 3 reasons for that. One is, of course, the overall economic situation and the inflation that is there, which is affecting discretionary consumption as a whole. Within that, there is a base effect that we have between last year and this year. And then there is a share of wallet that has been shifting over a period of time. And we believe that slowly but surely, this will get normalized as we speak.

The other thing is, there is also, in most cases, I don't know about the other, my peers in the industry, but what we have been seeing is last year, the channel actually upstocked, and I don't think that happened this year. So while the secondaries might actually be equal, if not marginally lower than last year, the upstocking did not happen this year because it was not necessary.

Last year, probably they had destocked enough so that the primaries are looking slightly different. This is an inference from our numbers, I could be wrong, w with the other competition. But largely, there's nothing to be worried about. There is a base effect. This quarter, there is a delayed Diwali, so probably it could also play out that way. But overall, I think the second half should be better than the first half.

**Lokesh Maru:**

Understood. Sir, one more point on our sales and strategy front. So one thing that we are doing is, obviously, we have launched a Judge brand to counter the competition per se. But then when we look at kitchenware or cookers category, cookware which we are 50%, which forms 50% of our portfolio, majority demand there comes from, what you say, replacement demand. It is quite penetrated and one of the mostly mature categories.

But then on a appliances front, when we see, dig deeper into appliances, there is stiff competition. And there's competition from imported players and brands within cooker and cookware. We are the number one brand, right.

But within appliances, there are many brands and many imported ones we are up to fight against, right? So how do you look at growth going forward? And what is our take on how do we take our positioning one notch higher within the appliances trying to cater to, even if there are challenges like we have seen the base is high right now, but in these challenging times, would we be able to you deliver that kind of growth? Or you have that kind of sustainable growth going forward? So any insight on that part, please?

**M. Chandru Kalro:**

So you see, well, the kitchenware, which is the pressure cookers and cookwares, which you alluded to, largely, there are players like us which have much larger shares in the market. And unlike appliances where the shares of the leaders are in very low double digit at the max.

And largely everybody, it's a lot more fragmented play in the appliance side. But I don't agree with you that there is imported competition there. I don't think imports are viable today as an option for most of the categories that we operate for 2 reasons.

One is that the gas stoves that we do and the mixer grinders that we have are very different from what is being sold by China or any of our counterparts there. The products are very different.

So these are India-centric, and these are largely almost 100% made in India. Within that, now there are a lot of nontariff barriers that the government has introduced in terms of certifications, like BIS certifications, like BEE certification to be coming in soon. So it's going to be unviable for people to bring in products from outside rather than a component level to bring it from outside.

There are the new-age appliances, which are small domestic appliances, like toaster, blenders, etcetera, which are China-centric, which have also become unviable to import from there. And largely, that is also the supply chain has moved. You will be aware that we were one of the first companies to actually move supply chains to India largely. In fact, we have now stopped imports of finished goods from China for quite some time, which was a strategic move that we made.

The competition has always been there. These categories have always been fragmented. TTK Prestige has approached this with a very consistent, customer-centric, innovation-based approach. So what we have with new products that come in, which provide genuine solutions to people's problems. And that is why we have been leaders, and that is how we intend to maintain our leadership.

**Lokesh Maru:**

Sorry, this is just a follow-up to the previous question. Yes, so, sir, by imported, I mean brand like Marco Richard or Philips, etcetera. I just mean other brands, so our leaders in different appliances, right? So how do we replicate TTK Prestige brand within appliances? Or do we actually go out and, like Anirudh mentioned, launch another branded premium positioning, super premium or premium positioning? How would that, I mean, replicating the brand that we have within cooker, cookware and appliances?

**M. Chandru Kalro:**

We don't have to replicate anything newly. As you are aware, by the way, Philips is an Indian brand, if you want. They might be available elsewhere, but it's an Indian brand. But we don't have to replicate anything. We are already leaders in appliances. There is nobody who is doing the kind of turnover that we are doing in the appliance turnover in the portfolio that we have. So I mean, and that has been achieved through this innovation-based, customer-centric approach that we have through our distribution, through our consistent marketing efforts. And that is what we are going to continue to do.

**Moderator:**

Next question is from the line of Sameer Gupta from Indian Infoline.

**Sameer Gupta:**

Just wanted to understand this performance and, going forward, our commentary on the second half. So basically, you have seen this in some other companies also or sectors also during COVID. There was excessive demand for home improvement products, and ours also is somewhat that category.

And is it just that there was overbuying or maybe more than normal buying at that time and now things are normalizing? And when we say that we expect to pick up in second half, is it just the

base catching up? Or there is something strategic here, festive, etcetera? Any colour you can throw as to what will drive this pickup?

**M. Chandru Kalro:** So it's a bit of everything that you mentioned. When we came out of COVID, there was pent-up demand. There is no doubt about it. There was also, it was also accentuated, as I said, because the channel stocked up at that time. And it was also accentuated because people were more involved in the kitchen because they were stuck at home. So all of those things that you say are true, and the share of wallet was higher.

Today, people certainly, after 2 years, they want to go out, and so you see hospitality, luggage, these kind of industry is doing extremely well and the share of wallet going the other way. That is getting normalized. That is one reason.

The second thing is we know that last year, the second half was not good for most companies. So there is a base effect catching up, like you said. Third thing is Diwali delay. Given that Diwali is delayed this year, you are likely to see a bigger second half than normal as compared to last year. So these are some of the things, all the 3 things playing out, which is why we are saying what we are saying. Most of our product launches happened in the first half so that we can then become relevant for them in the second half for the festive season.

**Sameer Gupta:** Got it, sir. Just to reiterate, it is more of a normalization that we are expecting. And probably the opex of it will look like a pickup rather than actual demand picking up?

**M. Chandru Kalro:** Absolutely. And that the actual demand may though it is normal growth levels, and there will be, of course, categories that will go here and there depending on what kind of products we launch, and therefore, you might see a little bit of up and down yield.

**Moderator:** Next question is from the line of Abhilasha Satale from Quantum Asset Management.

**Abhilasha Satale:** So, sir, I have a question on our margins. So gross margin has been improving on quarter-on-quarter basis and year-on-year basis. So I just wanted to understand the reason behind this. Have we taken any price increases or EBITDA kind of product mix? And going forward, like how much further improvement we expect in our margin?

**M. Chandru Kalro:** So you're absolutely right. The gross margins have gone up primarily because the raw material costs have been benign. And no, we have not taken any price increases. The price increases need not be taken. They are not justifiable if we want to take.

And as I said in the beginning, our peers have been quick to pass on any of these savings, which we believe was not healthy because even now the raw material costs are not as low as they were pre-COVID. So passing them on may not be right. So we worked very hard to make sure our gross margins are retained to the extent possible.

Going forward, we expect the gross margins to remain stable because we expect the raw material cost to be remaining stable. And there are no price increases planned for this year as of now, given the raw material cost situation debate.

**Abhilasha Satale:** Okay. And my second question is towards our A&P trend. So can you throw some light on how has been our A&P spend moving because like we have launched a few products and we are also in process of launching a premium branding also. Overall, what is the outlook for our A&P spend?

**M. Chandru Kalro:** See, even in a good or bad year, we have been very consistent in our A&P spending. We've been between 6% and 6.5% typically on advertising and promotion across the years. And that is going to continue, and that is what we've been doing this year as well.

What we decide to advertise is based on the kind of portfolio and the new innovations which we launched. We believe that there are mature categories that don't need advertising on a regular basis. But if there's a new product, something that's completely different, we'd like to advertise and invest in that category, aggregating to this kind of strength generally in that brand. That's how we do it. If there is a new brand that we are launching, that strategy, I don't think we can discuss at this point in time because it's not ready.

**Abhilasha Satale:** Okay. Okay. Fine. Sir, and my last question is on -- like how do we see our growth on a sustainable basis? Because as I understand, there was a pent-up demand, the base has been high, and therefore, we cannot comment on this year's growth or anything. But going forward, like range, the situation is more normalized, and we see overall consistent improvement in disposable income. How do we see our growth in terms of we want to grow lower double digit, mid-double digit? Can you give some guidance from that perspective?

**M. Chandru Kalro:** See, Obviously, our focus has been to maintain market share. So that means we have at least 2 category growth rates overall, and that is one thing that we want to do.

The second thing is we believe that on a normalized basis, a double-digit growth in the Indian economy is possible, provided the other things normalize. I mean we have so many things that are going here and there. But these things get normalized as we go along. Inflation, I think, is abating.

Overall, I think real incomes in rural India and the small-town India is actually growing. India is a bright spot in the world economy, and we are fully cognizant of that. So a low double-digit growth is something that we would think is possible, and that's what we will go after.

**Moderator:** Next question is from the line of from Mustafa from Cube Investments.

**Mustafa:** So if you look at our quarterly numbers, the cooker plus cookware division results that we add up, it has experienced a 10% negative degrowth. If we compare this to our nearest competitor who had a relative positive growth, it seems that we are losing market share in our cooker and cookware business. So sir, can you shed some light on this, please?

**M. Chandru Kalro:** So there's one thing that we had last year which we didn't have this year, which is why our numbers are looking the way they did. Last year, we had a one-off sale of cookware, which was very substantial during this quarter, which didn't happen this year. That is one reason. Second



thing is, as I said, last year, the channel stocked up, and this year, the channel didn't stock up so much. And I believe that, that is also particularly making this sale look the way it is.

One of the things that we track on our traction is on front-facing channels, whether it's e-com, whether it's our own PXL channel or whether it is modern format, where we sell cookware, these places we have had healthy growth. We don't believe that there are any market share losses, though optically this looks lower than the previous year. We have launched a nice new range of products, both in nonstick cookware as well as in stainless steel, which is meeting with a good demand, and we believe that this will get normalized as we go along.

**M. Chandru Kalro:** One last thing is the person you mentioned, which looks optically higher, I'm not sure whether they have disclosed whether it is in exports or whether it is in domestic.

**Mustafa:** Sir, even there, I think we have lost out on exports by 28%, whereas that degrowth has only been 10% for the year.

**M. Chandru Kalro:** Yes. So exports are based on the customer profile, their own stocking up and stocking down. And you are aware that many of these large customers, because of supply chain vagaries, had actually ended up stocking up again last year, which is getting normalized. So that is all coming together. That's why you're seeing it like that.

**Mustafa:** Sir, are we in a position to tell how much was this one-off last year for extra stocking or extra sale of cookware that you mentioned?

**M. Chandru Kalro:** I don't want to give a number out. Having said that, it is significant.

**Mustafa:** Okay. And sir, lastly, there was an announcement, sir, about some capacity enhancement about some inner-lid cookware. So sir, is this a fresh launch for us, sir? Or are we already in inner lid?

**M. Chandru Kalro:** No, no, no. We are already in inner lid. We have the fresh capacity that has come up. It's in our Roorkee factory. This is for inner-lid stainless steel pressure cookers. As you know, there has been a movement from aluminum to stainless steel overall in the category, and this is to augment our capacity to supply stainless steel cookers in the market, which is in and largely, inner-lid cookers are sold in the non-South.

So this factory is now going to be able to supply from closer to market from there. It is definitely a capacity enhancement in line with what we think are the demands that might go up in the near future.

**Mustafa:** Sir, what would be the contribution of inner-lid cookers to total cooker sales?

**M. Chandru Kalro:** About one-third.

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

**M. Chandru Kalro:** Thank you, everyone, for coming to the analyst call and attending this call. And we are , as I said, we are hopeful that we will have a better second half as we go along. The company is doing well. Overall, the basic contours of the company are intact, and we haven't given into any of the other pressures that might be there. Thank you again for coming.

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