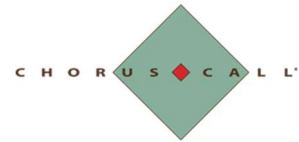




“TTK Prestige Limited
Q2 FY24 Earnings Conference Call”
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MANAGEMENT: **MR. CHANDRU KALRO – MANAGING DIRECTOR – TTK PRESTIGE LIMITED**
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MODERATOR: **MR. DHRUV JAIN – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2FY24 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 your touch tone phone. Please note that this conference is being recorded.

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

Dhruv Jain: Thank you. Hello, everyone. Welcome to TTK Prestige Q2FY24 Earnings Call. From the management side today, we have with us Mr. Chandru Kalro, Managing Director; Mr. K. Shankaran, Whole Time Director; and Mr. Saranyan, the Chief Financial Officer of the company. Thank you, and over to you, sir, for your opening comments.

R. Saranyan: Good evening. This is Saranyan here. Before I hand over the proceedings to Mr. Chandru Kalro for his opening remarks, I just want to remind the participants of the safe harbour clause. The discussion today may contain certain statements which are futuristic in nature. Such statements represent the intentions of the management and the efforts being put in by them to realize certain goals.

The success in 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 decisions.

Thank you. Over to you, Chandru.

Chandru Kalro: Thank you, Saranyan, and thank you, everybody, for joining us on the call for our second quarter FY24 earnings call discussion. Just as an introduction, I'd like to say that this was a quarter that was not as good as we thought it could be. We knew that there was a higher base of the previous year when we got into this quarter but we were hoping that things would become better.

And we also knew that Diwali this year was a month later, but normal growth, given the rest of the economy growing, we thought will also accrue to this. However, that was not to be because the demand has not been very healthy. You must have been seeing these reports in various quarters of the media. And therefore, we have missed our mark this quarter.

However, in this situation, we have also seen intense competitive discounting that has happened, which we have tried our best to stay away from and not in any way damage the basic structure of the company. And I think we've been very successful. So barring the top line miss, I think largely our profitability is in the band that we want it to be, and we are hoping that the favourable base of the second half of the next year would help us turn around the situation for the second half.

I now invite any questions that you might have on this. Thank you.

Moderator: Thank you very much, sir. We'll take the first question from the line of Sameer Gupta: from India Infoline. Please go ahead.

Sameer Gupta: Hi, sir. Good afternoon. Thank you for taking my question. Sir, first of all, any quantification you can give of this late Diwali that would have impacted our Q2 numbers? Just trying to get a sense of if we do a Q2 plus Q3, would that be largely a Y-o-Y growth which you were tracking in Q1? Or there is some improvement in underlying demand, which we can basically estimate from here on, your thoughts?

Chandru Kalro: Look, I think the situation is not that buoyant. I do believe that demand has not picked up as much as it should have. And there's intense discounting that's happening, which we don't want to do. We have, however, launched some very good products during this time. And that, I hope, will give us some better sales.

Now coming back to the quantification of the Diwali, it is one month -- let us say, three weeks delayed. From that point of view, if you see and if you say that the Diwali, pre-Diwali sales spike is about 50%, that 50% ideally should accrue of that month sale in the Q3 instead of Q2. It's difficult to put it in a

way that whether this is absolutely accurate or not. But if nothing changes, then that's what the quantification would be.

If I take Q2 plus Q3, we would still miss our growth estimates because there has been a cumulative effect of the first half's demand slowdown, if I might say, that we may not be able to catch up. It's only the base effect of the previous year which would help us look slightly turned around in the Q3 and Q4, which is what I'm hoping it will be. That's where we stand at this point in time. I'm sorry, I'm not able to quantify this more than that.

Sameer Gupta: No issues, sir. But just to reiterate, the Q3 when you say will miss, it will probably be a negative number in terms of Y-o-Y growth. Is that -- would that be a correct assumption?

Chandru Kalro: No, In Q3, we are certainly not looking at the negative on a Y-o-Y basis. On nine months, it might be still slightly negative.

Sameer Gupta: Q2 plus Q3, I was saying, sir. Anyways, nine months is negative is a fair indicator?

Chandru Kalro: Slightly negative. It won't be very much negative, but I think it should be slightly negative given that we missed some business in Q2.

Sameer Gupta: Got it, sir. And I see that there is still some obsolete inventory that you have written off this quarter. And I remember that last quarter also, we had some of this issue. So first of all, can you quantify this absolute inventory hit on gross margin? And secondly, are we now completely behind this issue? Or there is still some more that can be expected in terms of writing off your obsolete inventory.

Chandru Kalro: Just to clarify, there is no write-off of obsolete inventory. What we have said in the release is that we have liquidated some high cost inventory. There's been no obsolete inventory write-offs. That write-off, which we did last year, I don't think we've added to last quarter. We haven't done anything in this quarter.

Sameer Gupta: Got it, sir. Thanks for that clarification. One last question, if I may squeeze in.

I see the cash flow statement, I see hardly any capex done around INR46 lakhs at a consolidated level. Is this a normal thing that you do? Or, what would be the capex guidance for this year?

Chandru Kalro: So, let me clarify. There is a substantial amount of money that's been paid towards advances for some imported automation equipment, which is happening. It is in the region of about INR16 crores. And that hasn't yet gotten capitalized, so to speak, which is why you're thinking. Actually, we've got a very ambitious fully automation plant at our Hosur factory, which will substantially improve our efficiencies from that unit. So capex is on stream and we are doing it with the same zeal that we were doing it earlier.

Sameer Gupta: Got it, sir. And the guidance for FY '24 in terms of capex?

K Shankaran: INR70 crores, we are putting.

Sameer Gupta: INR70 crores. Okay. Thank you. That's all from me. I will come in the queue if I have any more. Thanks.

Moderator: Thank you. The next question is from the line of Prakash Kapadia: from Anived Portfolio Manager. Please go ahead.

Prakash Kapadia: Yes. Thanks for the opportunity. Couple of questions from my end. Could you give us some sense on packaging cost? How much is that as a percentage of raw materials? Is it crude-based linked? Is it paper-based linked? Are we seeing any inflationary trend in packaging costs?

Chandru Kalro: So packaging, depending on the category that we are talking about could be between 8% and 12%, the total bill of materials cost, give or take. There is no inflationary trend that we are seeing in packaging. If anything else, we have actually renegotiated our packaging costs this year, which you will see the benefits accruing in the second half. And this is linked to paper, and it is linked slightly to crude because of glue.

Prakash Kapadia: Okay. But mainly paper?

Chandru Kalro: Yes, mainly paper.

Prakash Kapadia: Okay. Understood. Sir, you did mention about a lot of competitive intensity. So if you were to just scan through the online channels, we do see a lot of small brands emerging at entry-level products. So just trying to understand, how much of the domestic portfolio gets affected to this segment because we are present in maybe entry-mid premium?

And which specific products? Is it mixer grinders, is it gas stoves where we are seeing that demand getting affected? Because it can't be across price points and it can't be across products and that translating to lower sales. I was just trying to see if I can quantify that?

Chandru Kalro: Okay. First of all, let us talk about the overall demand situation. The overall demand situation is not as healthy as it should be, that is point number one. Because the overall demand situation is not as healthy as it should be, the competitive landscape has changed to a lot of discounting that is happening by brands.

So these are brands which discount, and I'm not talking about the new unknown brands that you spoke of. I'm talking about regular brands. And there is -- you would have seen it in the shopping festivals of the online and all of the kind of discounts that people have given. This is definitely going to impact us in a small way because I still do believe that people buy brands and price is the icing on the cake.

At the entry level, on the other hand, the price becomes extremely critical. Our portfolio largely is in the middle and the upper middle segment of the market. The entry level was supposed to be handled by judge. Unfortunately, with the brands going down there, judge has not been able to get that kind of traction. And the overall demand being low, we have missed our top line estimates. I don't know if I've answered your question correctly, but in that order, you must take it.

Prakash Kapadia: But sir, if I look at some of the other things happening in India, mid to premium seems to be doing well across. So you look at TVs, you look at laptops, look at washing machines, if I were to dissect that and look at, apart from entry level, all the things are doing fine. So just trying to understand?

Chandru Kalro: The premium is doing fine. The mid to premium is not doing fine. The premium is definitely doing fine. So if you find -- if you take televisions, for example, the larger format televisions are doing well. If you take cars, for example, it's the SUVs and the new launches that are doing well. If you take two-wheelers, it's the premium end two-wheelers that are doing well. If you take the mobiles, Apples are doing well. So it's the premium end that is doing -- it is unaffected.

When I say doing well, it's largely unaffected. In our case, what is happening is the share of wallet which we had got earlier substantially higher, today has gone back to other services like travel, luggage, things like that, which has meant that the share of wallet our category is getting is lower, which is why the demand is lower.

Prakash Kapadia: And I think a quarter or two quarter ago, I had tried to understand this a bit more. In a scenario where real estate has been doing pretty well across the country post COVID. So that has to come in the base and that has to translate into higher sales, right. Because some of the other categories, they've done reasonably well and not seen such a disruption in demand if I were to look at paints or sanitaryware or pipes. So there could be some lag effect but real estate has been doing pretty well. So don't we think that should be a now be good base for us and that should translate and help us?

Chandru Kalro: Absolutely right. That is why we expect the second half will turn around.

Prakash Kapadia: Okay. So we're hopeful second half we should see some traction?

Chandru Kalro: You're absolutely right in your analysis on this one.

Prakash Kapadia: Okay. Thank you. All the best.

Chandru Kalro: Thank you.

Moderator: Thank you. We'll take the next question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Yes. Good afternoon. Thank you for the opportunity. Sir, my first question is this particular discounting what you're mentioning. Is it in a particular

segment? Is it across the segment? Is it like cooker cookware, or is it in appliances or across the board? And also, is it widespread or one single brand is actually kind of distorting the entire market?

Chandru Kalro: It is across categories, really. You see, there is a trend. There is the online channels who would like to commoditize the category. And when they -- by commoditizing, what they do is they try and get every brand to compete and bid literally like a reverse auction for the lowest price so that their platform attracts more and more sales. So it's not just that one brand is doing it. One brand probably will be doing it more than the others but there is this pressure to increase our discounts.

We have stayed away because for us, online is at a certain level, which we would not like to endanger the rest of the channels which we have painstakingly built. And we don't want to commoditize our brand, which is why this is happening. It has happened across categories, whether it is cookers, cookware or gas stove or mixer grinder. It's happening across the board.

Achal Lohade: And I would imagine it is more at the entry/mid-level rather than premium level? Or it's across the segments as well, price points as well?

Chandru Kalro: No, entry and mid-level are more vulnerable to this. - it's very sticky for brands. But the middle is where a large portion of our sales come from.

Achal Lohade: Would you be able to quantify, sir, the mix in terms of middle and...

Chandru Kalro: I don't think I can quantify that. It's different for different categories

K Shankaran: Such sensitive information we don't want to share publicly.

Achal Lohade: Okay. No problem, sir. The second question I had was with respect to the gross margins. Now if I look at the gross margins, I understand I'm sure it is a function of the mix. But if I look at broadly the mix is similar. In fact, it's a little better because the appliances drop is larger than cookers, cookware. How do we explain the compression in the gross margin, sir? I mean, Q-o-Q if I look at, is there a fair amount of seasonality from a gross margin perspective?

Chandru Kalro: See, it's not just category sales that you must see. You must see category and channels also. And I think the higher cost channels, normally like online stocks up in the second quarter. And that is where you are seeing some difference. Actually, these things even out. now you will see that going the other way hopefully in the Q3, for example. So that evens out. And between that, the last year's level of what, 58% -- it should be around 58% odd, the material cost. That's where it should be, between 58% and 58.5%. Shouldn't be any different.

Achal Lohade: Understood. And in terms of the new products, can you highlight a bit, is there any white space within our -- I mean, something like these storage -- container storage, plastic container storage or subcategories or sub-segments like that? Is there anything big opportunity out there which we haven't yet tapped?

Chandru Kalro: There's a lot of white spaces in terms of smaller categories, which we are obviously looking at. But within the categories we operate in, we have launched several new subcategories. So like for example, we've launched our anodized nonstick cookware, we've launched some nice Triply pressure cookers, we've launched Svachh gas stoves and pressure cookers which have been getting a lot of traction. There are induction cooktops with whistle counters and pressure cooking mode. Lots of new innovative products that we have launched, and I think that is giving us good traction and the brand, good recognition.

Achal Lohade: Got it. And sir, if I may ask in terms of the outlook, I know things are tough right now, very hazy. But from a medium-term perspective, is it fair to say that we can look at early teens or mid-teens kind of a growth at the company level given the initiatives what you're taking on the product side, new launches side, industry growth and stuff like that? Is that a fair assessment?

Chandru Kalro: Your first line said it all. It is hazy right now for me to take such a stand.

Achal Lohade: No. But I mean, I'm sure these things will turn around someday. But I mean...

Chandru Kalro: I think let's turn around and then talk about that outlook.

Achal Lohade: Understood. And sir, sorry I am again going back to the same question. You mentioned that part of the Q2 was impacted because of the delayed festival. But now you said three weeks impact, right? So we are in the fag end of October. Is it fair to say that from a Y-o-Y perspective, given the demand scenario, we would be a bit of flattish only for these August, September, October combined. I'm trying to figure out how much is this really about...

Chandru Kalro: See I would look at it as September, October, November and not August, September, October. And I think we will not be flattish. We will come back to growth in this period Y-o-Y.

Moderator: Thank you. We'll take the next question from the line of Kunal Sheth: from B & K Securities. Please go ahead.

Kunal Sheth: Yes. Hi, sir. Thank you for the opportunity. Sir, my first question is would you be able to share the market growth and our market share trends for the first half?

Chandru Kalro: The market hasn't grown. Our market share is largely stable.

Kunal Sheth: Okay. So market share is -- so we have neither gained or lost...

Chandru Kalro: I mean, you would have seen in the first quarter number, there's very little to choose from between players, if you look at it. Because what numbers you're seeing the players that is their sale into market. What the market share number is, it is the sale of -- it is the tertiary sales. So largely, my feeling is that market shares are stable. But the overall market hasn't grown. If anything, it's slightly negative.

Kunal Sheth: Sure. And sir, my second question is around discounting, sorry to harp on this. But sir, given the fact that we are around the festive season, and so what -- is it the case that channel was sitting on a significantly higher inventory and that's why they were very keen to discount? Because discounting right ahead of festive season seems slightly counterintuitive.

Chandru Kalro: No. Discounting is not happening only before business season. It has happened right through Q2. In fact, part of Q1 also was impacted because of

this. See the point is when the market hasn't been growing, everyone's getting a little bit desperate. That's what is happening. It's not that before festival this is happening.

Kunal Sheth: Okay. So -- but was it the case? It is generally that market was not growing or channel was also sitting on significant inventory? Or it is just that the market was not growing, and therefore, there was significant pressure as far as discounting is concerned?

Chandru Kalro: I don't think the channel was sitting on very high inventory. But I don't think the channel was in a mood to increase their inventory either.

K Shankaran: Having bought, channel will not discount. They expect the discount to come from the manufacturers.

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

Aniruddha Joshi: Yes, sir, thanks for the opportunity. Sir, can you indicate about the performance of Judge brand? So where are we in terms of the availability of the product? Is it available across the distribution of TTK? And how do you see the distribution mapping for Judge brand? Also, what has been the offtake and growth rates in Judge brands?

And secondly, we have been talking a lot about the new premium brand to be introduced. So any update on that? We have not yet seen any action on that. So when do we see the launch on that account?

Chandru Kalro: So the Judge brand, as I said, I think we have a few questions before, unfortunately has been a victim of all this discounting that is happening, which is because the regular brands itself are going at price point which I should ideally operate with the Judge brand at. So that is why that has been a little bit of a slow thing.

Having said that, I think around 30%, 35% of our distribution today has the Judge brand. And I don't know whether you noticed, this time when we were advertising for the festival, we advertised both Prestige and Judge by Prestige

alongside each other in the same creative precisely to drive that kind of distribution across the board.

So the Judge brand, while it's not progressed as well as we would have liked it to be, I think it's still made very healthy progress, except that because of whatever I've said earlier. That's why it is slowing it down. On the upper end brand, we don't have any plans to announce at this point in time. It's work in progress, certainly work in progress and we'll come back to you as and when we have something to announce.

Aniruddha Joshi: Okay. Sure, sir. And sir, in terms of the commodity-led pricing, so do you see the benefit is largely in the numbers now? Or do you see any possibility for margin expansion in H2 as well?

Chandru Kalro: See, currently our commodity prices are stable, but the tendency is to pass it all on into the market by everybody else. And therefore, we are not seeing that credibility accruing. That's what is happening in this game. I don't think there will be any margin pressure from a gross margin perspective in the second half. I think you will see it either stable or slightly better than what you have seen in Q2.

Moderator: Thank you. We'll take the next question from the line of Charanjit Singh: from DSP Mutual Fund. Please go ahead.

Charanjit Singh: Hello, sir. Thanks for the opportunity. Sir, if we look at the appliances segment, which always you had a very positive year in terms of the growth which you can see, and this segment has also seen a 20% kind of a degrowth. So within the appliances category, if you can touch upon mixer grinder and other segments, the competition, because that is generally coming from the large organized players who are coming into the even mid and the premium category. So if you can just give us more detailed color on the appliances segment and the competition there?

Chandru Kalro: Competition is also going through the same pressure, if you ask me. I mean, whatever I'm seeing in the marketplace, they are going through the same kind of pressure. They're going through the same kind of lack of growth or even

degrowth, in some cases. And there hasn't been too much of a difference. Everybody has gone and tried to close all the white spaces within each category. So everyone is launching products in the upper end and in the middle end and in the lower end within that brand itself, which is what we are also doing.

I think there's not much to choose from, except for some things here and there, like our Svachh hobs, for example, which we launched or for example, I don't know whether you've seen it. We've launched some very unique IoT led chimneys, which is completely unique, which is not there with anyone. Except for things like this, there's not much to choose from. But everyone is trying to do the same things, if you ask me.

Charanjit Singh: Okay. Sir, if there's a quantification of this discounting, what's the kind of level of discounting which is happening? And in each segment, mid-premium also, is there a heavy discounting happening? And in the entry level, what's the kind of pricing differential which TTK will have versus maybe number two, number three player?

Chandru Kalro: Difficult to say that because of the number of SKU's we operate in 27, 28 categories. Each category has its own set of rules. I don't think I can answer that question in greater detail.

K Shankaran: We have to average it out because in each category you have got about 10 to 30, models and each model, is very different compared to competitor's model, pretty difficult for you to draw some line there.

Charanjit Singh: And sir, from the geographic perspective, generally Southern market has been a very important geography for us. If you can touch upon the Southern market itself, the entry of the new players because some of the players who were not earlier present now expanding into that market, which could create a more sticky competition in that market. So how you are seeing that?

Chandru Kalro: Again, the problem is that of demand. For example, during Onam, I don't think anybody has sold whatever they wanted to sell. So it's an issue of demand rather than anything else. I don't think there is a competitive -- I

mean, the lack of competitiveness from Prestige or anything that we have to be worried about from a competitive scenario basis.

Charanjit Singh: Okay. And sir, now we have seen also a lot of online sales happening. And if you look at the numbers what Amazon and all, they are talking about much higher sales growth. So if you can touch upon the growth differential which would be there in online versus the offline channel? And is that also one factor where the discounting is playing out in a big way and impacting our market share?

Chandru Kalro: No. The online space has definitely been an irritant in terms of the amount of discounting. Coming back to the growth that they are talking about, I think you will have to get into greater detail whether they have grown in terms of volume or value. According to me, they might have grown in terms of volume but not in terms of value. But that's something that I don't want to argue my case on.

I believe that, that kind of discounting is not tenable. They have gone overboard this time. We had gone overboard in making sure that things don't go out of line in terms of our channel is not getting too much conflicted with whatever is happening.

Charanjit Singh: Lastly, from my side, in terms of the competitive pressure now going forward, what is your focus in terms of market share or margin? How will you see that? Because if you have to maintain the market share, there might be a dilution in the margin, what we are seeing in some of the other categories with the rising competitive intensity and not abating despite even growth picking up?

Chandru Kalro: See, as long as -- I tell you, I can't take a black or white situation there. What I can do is to make sure that I don't do anything that permanently damages the company's profitability and gross margin and net margin situation. Wherever tactically I have to give away something, I have been doing that with a view that it is reversible and not permanent in nature. During the last quarter, you would have seen that almost anyone and everyone who has reported results has reported a drop in their EBITDA.

Even the one or two peers who have given results before us this time, you will see that their drop in EBITDA is significantly higher than ours. So we are trying to make sure that our basic structure is maintained. And while doing so, we have not lost our market share largely. We have maintained our leadership positions in our key categories. We have maintained our market share largely. And we believe that the storm shall pass, and we don't want to do anything rash in the middle.

Charanjit Singh: Got it, sir. Thanks for taking my question, sir. That's all from my side.

Moderator: Thank you. We'll take the next question from the line of Shirish Guthe from HDFC Life Insurance Company. Please go ahead.

Shirish Guthe: Thanks, sir, for taking my question. Sir, just wanted to understand in terms of employee cost, both in terms of CAGR as well in terms of percentage of sales it has been growing much ahead of the top line even over a longer period, if I ignore the quarter-on-quarter.

If you can just explain what should this -- as a percentage of sales, this number should settle at in the slightly longer term, especially in the view of the new automation capex that you are doing? And also, there was an announcement regarding the productivity led compensation at Hosur. So maybe if you can explain that?

Chandru Kalro: So the employee cost as a percentage to sale is looking like it's going up because we haven't grown in top line. That, I think, is the basic truth. I don't believe that there's anything untoward that has happened there. Our salary increases have been largely in line of being slightly above inflation. And the LTS, the labour settlement that happened in Hosur also has happened in that same spirit. We are seeing this settling down at our long-term averages that were there and that is where it will be.

Shirish Guthe: And this automation capex, how much savings are you expected to see? And especially, I think, I believe the employee cost will be the key cost which will...

K. Shankaran: On, automation, if we look at the company's payroll sector, there is a white collar and there is a blue collar. The automation will save some money on the

blue collar. It also give us extra capacities. Therefore we will have a larger EBITDA margin going forward once we complete the automation.

As regard which our MD pointed out, increases in our salaries have been normal, our cost on blue collar, which is driven by settlements and movement in the DA. Otherwise if we look at, as a company, we have been operating between 7% and 8%. Where the sale is lower it may to 8%, when we are growing, it may come down to 6.8%.

Chandru Kalro: Your average settling down will be around 8% is what the point is.

K Shankaran: Which is far below the industry average.

Chandru Kalro: Yes.

Shirish Guthe: But for that to happen, even if your top line grows at double digit, employee costs would have to be significantly in terms of low-single digit from here on for that to happen.

K Shankaran: In a lighter vein, unless I pay my employees, they will not have purchasing power. So if you don't purchase, I will have no business. This applies to the entire industry.

Chandru Kalro: See, if you look at last year, for example, we were at 7.8% stand-alone. I mean, the reason your changes go up is because the top line has gone down. That is why you are seeing this.

Shirish Guthe: Understood. Sure, sir. Thank you so much. That's it from side.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Sir, just wanted to check in terms of cooker, cookware capacity as of now and what kind of expansion are we looking at over the next couple of years given the capex, what we are looking at?

Chandru Kalro: So we are not looking at aggressively increasing our capacity through additional factories or additional machinery. However, our capacity will go up

because of the automation, which Mr. Shankaran just spoke of. Our ability to run a third shift from the same amount of machinery would go up because it's automation. So there's enough capacity. I don't think I'm seeing any untoward capex happening to meet with any growth objectives that we might have as we go along in the next three years to five years.

Achal Lohade: Got it. Any quantification you can give, sir, what is the current capacity in terms of...

Chandru Kalro: We are utilizing between 65% and 70% at this point in time. With the automation, that utilization will come down in the short run, but we can then use that time to actually produce even more once the automation comes.

Achal Lohade: Understood. And of the total -- so I presume entire cooker, cookware is in-house, while appliances...

Chandru Kalro: Appliances are contract manufactured, yes.

Achal Lohade: how much you see contract manufacturing is of appliance, sir?

Chandru Kalro: The entire appliances are contract manufactured. . They are all dedicated vendors to us and they are all under contractual manufacturing system.

Achal Lohade: When you say dedicated, you mean they are exclusive to us? Is that...

Chandru Kalro: 90% of their business is with us, plus in many cases.

Achal Lohade: Okay. Understood. Sir, we've been kind of looking at significant exports for a while. Any update what is happening? I know things are tough, again, overseas as well. But any concrete steps we have seen taken on the export front if you could highlight?

Chandru Kalro: See, the exports also, if you are aware that many of the -- after the COVID, what happened was many of our retailers were overstocked in inventory. And they have only started normalizing in their inventory now, which is why the exports have not been as good as we would have liked it to be.

However, the good news is that we have now come very close to closing some deals with some new customers as well. And I can't talk about it at this stage, but I think that will also give us growth apart from the existing customers growing by themselves. So exports should be back on track in the next two quarters or so. That's what I feel.

Achal Lohade: Right. Sir, if I look at the competitors, some of the competitors are doing very good numbers on the export. So is it that we are looking at a certain margin benchmark, and that's why we kind of lose out?

Chandru Kalro: No. The question you are referring to is at the lowest end of the market with a very large retailer. And we are not -- we did not have that equipment until six months, eight months back. And I believe that we have that equipment now and we can definitely compete in that area. But largely, TTK Prestige prefers to work in the value-added segment, prefers to work with middle and upper end, which is what we work with in India. And that's been our strategy. And we can also offer this, but that is not our primary offering there.

K Shankaran: Margins could be thinner.

Chandru Kalro: Yes. The margins are thinner. And you have seen the kind of margin profile of the person you just referred to over the last three quarters.

Achal Lohade: Absolutely. Got it, sir. That's about it from my end. Thank you so much.

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

Chandru Kalro: Well, thank you. That was an interesting session. I must say that these phases come and go, and I believe -- I'm very optimistic for the second half of the year. I believe that things will turn around. I believe that this country is on the right track in terms of its economy, and our category should get back its rightful share of wallet as we go along. And I'm hoping for better times and hopefully a better call next time. Thank you.

K Shankaran: Thank you.

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