"TTK Prestige Limited

1QFY25 Earnings Conference Call"

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

Moderator: Ladies and gentlemen, good day, and welcome to the TTK Prestige Limited 1QFY25 Earnings Conference Call 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 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: Thank you. Hello, everyone. Welcome to TTK Prestige's 1QFY25 Earnings Call. From the management side today, we have with us Mr. Chandru Kalro, Managing Director; Mr. K. Shankaran, Whole Time Director; Mr. Venkatesh Vijayaraghavan, Chief Executive Officer; and Mr. R. Saranyan, Chief Financial Officer.

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

R. Saranyan: Good evening, everyone. Welcome to TTK Prestige's Earnings Call for 1QFY25. This is Saranyan, CFO. Before I hand over the proceeding to our Managing Director, Mr. Chandru Kalro, for his opening remarks. I just want to remind the participants that 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, I request all the investors to make their own independent judgment by considering all relevant factors before taking any investment decision. Over to you, Chandru.

Chandru Kalro: Thank you, Saranyan, and good afternoon, ladies and gentlemen. This is Chandru Kalro, Managing Director, and thank you for being on the call. As you know, I have expressed my intention to retire and I'm also very happy to tell you that there has been a very, very smooth transition of the management of

TTK Prestige and Mr. Venkatesh Vijayaraghavan, who joined us in January of this year, has fully familiarized himself with the operations of the company and, from 1st of April, has been running the company and I have been helping him wherever he has needed my help, and I will continue to do so till the end of September.

I'm also happy to tell you that the transition not only at Mr. Venkatesh Vijayaraghavan's level, but also the N-1 level has been very smooth and things are absolutely as we wanted them to be at this point in time. Given the fact that he has been running this quarter, after my opening remarks, Mr. Venkatesh Vijayaraghavan will be answering all the questions that you might have and where I might be needed, I will, of course, step in. He is now going to be inducted into the Board from the 1st of September and will take over as Managing Director. As of now, he is the CEO and MD designate. From 1st of October, he would be the Managing Director of the company.

So with that transition message in place, I would now like to give just two opening remarks. We've had a reasonably good quarter. From a top line perspective, we are flat, but I'm saying that, that is in spite of the fact that we had a little bit of a slow April and May, given the summer and largely the share of wallet going to summer-related products. And you know that it was a fairly severe summer, so most of the people have bought a lot of air conditioners and a lot of fans, I guess, and the share of wallet, again, was found lacking aside from the fact that there were elections and the elections brought about their own market dynamics.

But the good thing is that our own exclusive business channel has done extremely well, which is front-facing. And the other front-facing -- customer-facing channels like the modern format and e-commerce have done extremely well. And the last month of June was very, very encouraging. And therefore, we are where we are.

I will now hand over to Mr. Venkatesh Vijayaraghavan to take on any questions from here on. Thank you very much. Over to Venkatesh.

Venkatesh V.: So like Mr. Chandru said, I think we've had a fairly reasonable quarter. On the backdrop of the previous quarter where the market has been a little tepid, we do see that the market is sort of bouncing back, and we are at a flattish growth this quarter. Profitability remains robust, and we look forward to being able to drive the growth even more harder as we move forward.

I take on questions from here as we move.

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

Sameer Gupta: So I have two. Firstly, you've mentioned about the liquidation of stocks in April and May in the general trade channel. Is there something which you would say is a normal course of business or trade was at an unusually high level of inventory, and that has now become more normal. Would you say that June quarter double-digit growth is more of a representative of end-level demand? Or is it just normal upstocking and downstocking of channels that runs in the business?

Venkatesh V So I would take it as two parts. We definitely do see June moving up in terms of the growth, like we had mentioned, and that is based on robust demand that we're seeing back in the market. Having said that, general trade yet is to come back to full terms in terms of growth. We see a much more robust demand and growth being facilitated by large-format stores, e-commerce as a channel and our own retail stores.

General trade, while has been better than what has been in the past, is yet to come back to a full flow of growth. And that's a combination of demand, more a factor of demand than a factor of inventory, I would say. The initial months have been a factor of inventory, a combination of inventory and demand. But as we move into the subsequent quarters, I do believe that few channels are growing at a very robust manner. General trade is yet to pick up from that perspective.

Sameer Gupta: Got it, sir. Just a follow-up here. So in your assessment, is it that general trade is just losing share to modern formats or general trade is up stock to a level where there is subduedness in their own purchases?

Venkatesh V No. So I think there is definitely a share of wallet transfer that's happening to large format stores and e-commerce, given the way aggressive openings have happened, including quick commerce. So I would say that there has been a sort of shift that is happening towards organized retail in terms of large format stores. Our own retail stores are seeing a large number of walk-ins as well. And e-commerce is driving the expansion much more aggressively.

So to that extent, there is an impact that is happening on general trade. Within the general trade format also, we do see some parts of the general trade growing much better than a large sort of mass market outlets. So this is, in my view, more of a shift that's happening. So as an industry, we would see a more robust growth happening. But within channels, we would see sort of shifts happening as well.

Sameer Gupta: Got it, sir. Very clear. Second question is on the margin front. So even in years before where top line growth has been subdued and there has been steep inflation, TTK as a company has been still able to manage your operating EBITDA margin in a broad range of 12% to 14%. Some years has been higher also. Now this quarter, it has come at 10.8%. And you've also indicated about pressure on some certain commodities, which might impact in future quarters. So in line or in view of all this information, where should one look at EBITDA margin operating for this year in this context?

Venkatesh V I think it would be too early for us to answer the question. All I would say is that I think we are making substantial investments that would be a futuristic help for us. And therefore, this number needs to be seen from that context.

Sameer Gupta: Okay. So fair to assume that, let's say, demand doesn't come back fully. This might be a right indicative of EBITDA margin for future.

Venkatesh V No, I wouldn't want to comment on it at this point of time.

Moderator: The next question is from the line of Pankaj Tibrewal from IKIGAI Asset Management.

Pankaj Tibrewal: I have two questions. The first one, when I slightly look at the company from a longer-term perspective over the last 5, 6 years, the growth has been extremely subdued at 4%, 5%, both on top line as well as profit. Sir, now that you have taken over the reins, what can we as investors can expect from the company from an overall perspective? And the reason I'm saying in that light is that, yes, demand has been challenging.

But on the same breadth, some competition like Hawkins and all have delivered much better growth. So just wanted to understand the trajectory and the levers which you would like to deploy over the next 3, 5 years from a growth perspective. And second, you have maintained a very strong cash flow despite a challenging environment and all credit to you guys…

Moderator: Sir, I request you to use the handset, please.

Pankaj Tibrewal: So on the cash flows, I think you guys have done a fantastic job despite challenging environment. So does that continue as you go ahead and invest into the business? And also consultancy point, can you elaborate on how much is the consultancy costs you are looking to deploy in this year and next year? So these are the three questions, if you can help us understand from that perspective.

Venkatesh V So if you want to look at -- I think I'll take the first question, the where we stand today, I think -- and like you had mentioned, our financial metrics are clearly benchmark metrics and we are, in terms of cash generation, very strong. I think what is important for the company is to have a robust top line growth. And that, I think, becomes a key dominant objective that we would sort of pursue with in the coming years. The fact also remains that the comparable categories where we have been, we've been actually fairly in line or slightly ahead of the industry.

The important part, therefore, is to be able to help us grow faster in a market which probably subdued, and we believe that the market will come back again. Irrespective of that, we would like to grow faster than the market. And therefore, the pursuit is in terms of a robust top line growth, growing faster than the market. Now there are a couple of points that probably we would emphasize on this as we move forward.

One, increasing our market shares in our core categories by way of premiumization, because I think the brand, we believe, is very strong and has huge scope that could help us sort of leverage the premiumization trend that's happening in the categories that we are present today. So in our core categories, our efforts are to drive our market share very strongly driven by premiumization.

Our costs are largely under control, as you would see in our P&L. And I think our singular effort, therefore, is to drive a top line growth that is much faster than the market. The second part of it, as we have seen in the categories, and that I would believe is an important change that would happen in the coming years.

A large part of the growth for the category in the last few years has come from new product introductions which we've been in the past quarters relatively a little slower. We have picked up on that and we've plugged the gaps as well. So as we move forward, new product introductions would be of scalable size that would help us sort of grow in the categories that we are present currently much faster.

The third aspect, which we believe that would help us further consolidate us with our relentless focus on quality products, which we continue to lead the industry and we continue to focus on. So a combination of premiumization, innovation and quality is what we believe would help us strongly pursue the top line growth, which ideally we would like it to be ahead of the industry.

I think these are the few points that I would say as a core point that we are focusing on today, a combination of that across the category. One opportunity that we would look at is to look at a few categories where we are not market share leaders or we're not leaders, but have the potential to be leaders, and that's something over the next few quarters, you will see a lot more emphasis from the company.

That would sort of help us also add on to the top line. This is what I would call as a few focus areas that we would built in, in the next few years to be able to grow faster, and that will reflect in terms of top line growth and in terms of profitability. And we continue to maintain the strong cash flow that we have built in.

One reason I did mention about operating EBITDA is also the investments that we are making, that is going towards building capability, building R&D investment and also taking external health to sort of navigate this journey as we move forward. The consultants that we have engaged with is a part of this journey.

We intend to continue with them for the next few quarters. Like we have mentioned earlier, we spent a certain amount as the initial fees with them. And probably over the next few quarters as we formalize it with them, we will continue to be engaged with them for a long term.

Pankaj Tibrewal: That's great. Can you just quantify the amount you are giving to consultants so that we can adjust it in our profitability numbers because this won't continue for a long time? And in many other companies in the same space, we have seen that number varies from INR20 crores to INR50 crores. So that's a decent impact on the overall P&L. So can you help us in quantifying that number, please?

R. Saranyan: We have already disclosed that in the stock exchange as well when we did the disclosure on appointment of this consultant. It will be around INR12 crores for the Phase 1 we are going to work with them.

Pankaj Tibrewal: Okay. That's helpful. And wish you all the best, and hopefully, TTK comes back to the same old growth path, which we used to see a decade back.

Moderator: The next question is from the line of Rishabh Gang from Sacheti Family Office.

Rishabh Gang: Sir, I wanted to know more about your Prestige Xclusive stores, right? So what is our current, like some numbers on like how many stores are there? Is there a split between company-owned and franchise? If there is any split. Also, what is our vision for these Prestige Xclusive stores?

Venkatesh V Yes. See, the Prestige Xclusive stores have been one pioneering effort that has been driven by the company consistently over the years. And for the category and for the industry, it's a unique scale that we've built. I would call the Xclusive stores as one of the unique advantages and strategic initiatives that TTK Prestige has in terms of reach and in terms of our pursuit to premiumize our categories as well. We currently have around 656 stores that is roughly spread across 361 town. We intend to expand these stores as we move forward.

The stores today are sort of stock all our core products across appliances and cooker cookware as well. And like I said, it's spread across 360 towns and fairly strong and robust. Largely, this is a franchisee-led model with a few experimental company stores that we have, but the model is largely franchise led. The expansion forward will also be franchise led to a large extent.

Rishabh Gang: Okay. And what are the typical store sizes? Like do you have same type of sizes across or you have some categories. Also, can you throw some light on what are the kind of revenues at store level that you have or what is the breakeven, something like that?

Venkatesh V The store sizes vary from 600 square feet to 900 square feet. Depending on the location and the potential of the location, we do have formats which sort of vary as per the size and, therefore, they are graded design features that we bring in into the store. The return on investment that you had spoken about is entirely dependent on location.

In some of the metros, the cost of operation is high. But that's factored in, in the operating model of the franchise. So we have flexible models that are built across geographies depending on the potential to earn and the operating cost as well. So it varies from town to town and that's the way we would look at it. Suffice to say that 12% to 15% of our revenues come from PXLs.

Rishabh Gang: And all our -- majority of them are franchise owned and franchise operated, right?

Venkatesh V: Yes.

Rishabh Gang: Okay. Also, I wanted to understand what are the kind of initiatives that we are having at store level, which are like industry first kind of initiatives, which are doing both things, product awareness as well as the repeat sales initiative. How are we building the loyalty on that front?

Venkatesh V: So like I said, I think if you were to look at and scan the industry, we are amongst the very few operators, if not the only operator, to have a scale of the size from a retail organization perspective. Two things, there is a independent focus on this as a channel and, therefore, in terms of both internal teams as well as in terms of external customer communication, there is a planned effort that goes in. From a demand generation perspective, there are specific catchment, locality area actions that happen, quite typical of what a normal retail store would do.

And we've been able to fairly be successful there. Some of our flagship programs, for example, the exchange program that we do in the first quarter, have also been very successful in terms of being able to bring in more consumers and also being able to upgrade consumers as well. So therefore, we see quite a successful effort that is being put in, in terms of using the channel to generate consumer franchise, repeat purchases as you had asked for and also be able to convert that into a significant advantage for us, and we intend to continue to do that as we move forward.

So in addition to the ATL communication and the brand building communication, there is a large focus on localized cluster-based communication store promotion activities that help us draw consumers to the stores in addition to the vantage points where the stores are present.

Rishabh Gang: And how much percentage of these stores are present in North and Eastern India?

Moderator: Sir, I request you to come back for a follow-up question. The next question is from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: I have a couple of questions. First, can you -- so you identified that in segments where you have lower market share, you want to do more of premiumization and gain more market share. But any segments that you have identified as white spaces in terms of portfolio where you would like to enter?

Venkatesh V No. So that's probably something that I would reserve to come back a little later. Currently, we are present in a couple of categories, which we believe are scalable and that's where the focus of the investments is going. White spaces are completely new category entries that's something that I can come back to you a little later.

Indrajit Agarwal: Sure. Any update on inorganic opportunities that are there, anything that you are evaluating or in advanced stages?

K Shankaran Not at this point of time, we will get back to you when we have something on the table. And let the consultants give the recommendations, then we look into it.

Indrajit Agarwal: Sure. All right. And lastly, on exports or Horwood, I mean, it has been fairly weak for several quarters now. So what is the outlook over there? Are you seeing any kind of turnaround or is likely to be weak in the near term?

R. Saranyan See you know what's happening in the U.K. I think the market is still to recover there in U.K. Economy is still in bad situation. Hopefully, the elections that they have just concluded, we'll start seeing some improvement there. So we have to wait and see, But we have not seen any improvement at this point of time.

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

Aniruddha Joshi: Two questions from my side. One, has the industry dynamics structurally changed. And we have seen e-commerce and modern trade getting stronger. So the distribution has probably weakened for most of the players, including us. And secondly, the way the terms of trade used to be, the way we have a very stringent control on the cash and very limited debtor days, etcetera. So that may not be a very right thing to do from the changed market conditions per se. So is this a fair assumption to make? Or do you believe that this is just a passing phase and maybe stringent control is really required so much? That is question number one.

And question number two is -- now with Mr. Venkatesh joining, if you can elaborate a bit more on the division of the management roles between

Chandru sir, Venkatesh sir and even the rest of the entire management team, also Mr. Saranyan as the CFO. So how do we understand the division in terms of the roles? That is the second question.

Chandru Kalro: Okay. I'll answer the second question because it's only appropriate that I answer that question. So in January, sometime when Venkatesh had joined, we said that the Managing Director role would be split into two. One where the CEO would take over the direct operations of the stand-alone TTK Prestige. And I would take on the subsidiary management and the inorganic other things like that and also draw a big growth strategy. Subsequently, after a lot of deliberations, what we have now done is actually formed a strategy committee within the Board which consists of some independent directors as well as the promoter directors who are actively looking at other opportunities, which they will then evaluate and they are also waiting for the consultants to make their final recommendations as to what kind of organic opportunities they will pursue.

Mr. Venkatesh Vijayaraghavan has taken over the stand-alone operations of TTK Prestige and is completely in charge here. He will be inducted along with Mr. Saranyan, who is the CFO, into the Board on 1st of September. And both me and Mr. Shankaran, would be getting off the board and retiring from the services of the company given that things are absolutely fully well transitioned at this point in time, and that's the point. So the inorganic and other opportunities based on the consultants will be handled by the promoter family and the Strategy Committee in the Board, while the operations of the company will be handled by Mr. Venkatesh. I hope that answered that question.

Aniruddha Joshi: Yes, sir. This is very helpful.

Chandru Kalro: Now Mr Venkatesh will answer the first part of your question.

Venkatesh V.: To the first part of the question, while there is definitely a trend of increased migration of a little bit of consumer demand towards e-commerce and modern trade formats, if I were to draw parallels with a couple of other industries as well, my belief is that general trade is not something that would go away. And it just needs a little bit of a breather space to redefine some of these challenges, both at a category level, at an industry level and also companies as well.

So my view is I think this is an omni-channel presence that would continue to happen. And we do believe, looking at signs that are there, that the growth will come back and come back in general trade as well. So as a company, looking forward, we do believe each channel has its own role to play based on different consumer profiles that they speak to. And therefore, we do not see that pressure over a period of time. This is transitional in nature, in my view. And therefore, I think we would approach it with the same amount of diligence in terms of building our strength on distribution across the country.

So that was something that be of focus for us, but not just in our core markets or strong markets, even in the markets where we believe we can make even more faster strides. With respect to the debtor days observation that you made, I think this has been made more in consensus with the whole channel. And therefore, we don't see a conflict coming in from there. That's in the interest of the company and from the health of the company perspective. And this is something that we've been quite strongly leveraging over the years.

So we do believe that this is not something that would hinder us. Having said that, as in the past, if there are specific initiatives that we need to take to help our channel partners, we are in that process consistently as well. So we believe the general trade is here to stay, partners have been with us for a long time and we would like to leverage those relationships and efficiencies much more better, and we continue to stay invested in the channel as well. While we also increase our focus on the other channel, we do believe general trade continues to be as robust as it would be in the future.

Moderator: Next question is from the line of Prakash Kapadia from [Spark PMS].

Prakash Kapadia: Yes. I had two questions. Historically, MFI has played an important role for us in terms of rural sales. So that has been facing challenges. Is that also affecting our sales growth? And secondly, how crucial is H2 festive season for the growth momentum, which you mentioned has just started. And are there going to be new product launches to drive this festive demand? What are we trying to ensure the growth is robust for the rest of the year? Those are my two questions.

Venkatesh V The first question, I think you're right. The rural channel has been largely led by MFIs in this category. One of the reasons our growth looks a little subdued or flattish is because of this reason where this channel has not been performing well due to market reasons because of initially elections and then subsequently subdued conditions led by some of the macroeconomic issues.

So essentially, this channel has not performed to its potential in Q1. That's one of the drags that we've had in this quarter. So which is why we are confident that as we move forward, we would be able to sort of look at better growth as we move forward. Having said that, this is an important channel and TTK Prestige has been one of the leading players in this channel as well. And therefore, it's important that this channel performs for us. There are pressures on the onset but we do believe as the quarter progresses, this would probably get sorted out, and we are in a better position therefore. That was the first question as far as the rural MFIs are concerned.

The second part, in terms of quarter, we are quite interestingly poised from a second quarter perspective. We do believe we will put in the right efforts and the right initiatives across channels to leverage the festive season coming in. Also in terms of new product development, we have been aggressively launching. We've launched around 39 SKUs in the first quarter, and we will continue to keep launching new products across the board. We are looking at a very robust new product launches in the second quarter, leveraging the festive season across appliances, across cookware and cookers as well. It would be a significant set of quantum of launches that will happen in quarter 2.

Prakash Kapadia: Okay. So that should drive the momentum is what we are looking at.

Venkatesh V So that is one of the initiatives, like I said, will consistently drive growth for us in addition to we being able to leverage the demand coming back again and our ability to, therefore, play the multi-channels as well.

Prakash Kapadia: Okay. And any pricing changes or any input side cost pressure or are cost stable raw material and input costs? Any major pricing decisions, if any, we've taken of late?

Venkatesh V So we've seen that there's been a slight spike in terms of raw material costs, and we also see signs of it coming down as well. At this point of time, therefore, we are not sort of making any changes from a pricing perspective. We are taking this raw material pricing in our stride for the quarter, and as we move forward, the prices will subdue in our view. It's a temporary blip from the input side perspective that we see.

Moderator: The next question is from the line of Mustafa Khedwala from Cube Investments.

Mustafa Khedwala: So in our investor presentation note, we have mentioned that we have seen double-digit growth in June. So that growth was led by the mass premium products we have or by the Judge brand? And also if you could tell whether it was more driven by the kitchenware and cooker segment on the appliance, because we've seen a 9% or 10% growth in cookware.

Moderator: We have lost the management line connection. Please stay connected while we reconnect them. Thank you. We have the management line back on the call. Mr. Mustafa, please continue with your questions.

Mustafa Khedwala: Yes, sir. I don't know whether you heard my question. Should I repeat it?

Chandru Kalro: Yes. It would be good if you could repeat it, please.

Mustafa Khedwala: Sir, in your investor presentation, we've mentioned we have a say, double-digit growth in June. So I wanted to understand which segment whether cookware, Cooker or appliances led this, and was Judge brand also instrumental in this double-digit growth?

Venkatesh V Yes. So this growth we're seeing is uniform across the categories, while like you're seeing here, cookware seems to lead it followed by cookers and appliances. June, we've seen a uniform spread across the categories. That's a good sign that we believe will get added as we move forward.

From a Judge perspective, Judge has been continuously adding to the kitty that we would say. We do believe Judge as a brand would be a significant factor in growth as we move forward. And currently, the Judge portfolio is complementing the Prestige portfolio and is helping us add to some of the subcategories that we had probably not been present aggressively in the past. So judge is also working in our favor as we speak.

Mustafa Khedwala: A follow-up to that would be how much can you quantify would be the contribution of Judge to our overall revenue as of today?

R.Saranyan That will be only around 2%, 3%. It's still not a very significant number, but it is improving.

Mustafa Khedwala: Okay. That's helpful. And sir, also, we had mentioned a few con calls back that we are in the process of launching a premium product or brand. So sir, what is the update on that?

Venkatesh V No, nothing at this point of time. We are in the process of evaluating a couple of strategic opportunities and bringing in external help was also from that context. But as we speak today, no information on that.

Mustafa Khedwala: Okay, sir. And lastly, sir, if you just compare our...

Moderator: I request you to come back for a follow-up question. The next question is from the line of Hitesh from Kosha Capital.

Hitesh: Sir, you mentioned that in the last few quarters, the company had been pretty slow on new product introduction and probably that was one of the reasons for subdued growth. And I believe you also, in one of the responses, mentioned that there were some 39 SKUs that were rolled out and you plan to roll out more around the festive. So which are these product categories where we are trying to fill in the gap vis-à-vis the competition? If you can share that one.

And number two, what percentage of our revenues across the three categories where you classified the revenues would you call it as a premium offering because I believe that is the trend which you mentioned that is pretty strong and you want to play that to drive growth.

Venkatesh V So from the new product perspective, we continue to plug some of the gaps that are there in our current categories in cookware. And we added a lot more into the portfolio from appliances perspective. So between cookware and appliances, a large amount of new products would come in. Some of them plugging the gaps that we have in the current portfolio. Some of them accelerating the changed demand generation that we're seeing in terms of stainless steel, triply and other materials as well, including cast iron.

So cookware and appliances are seeing a large emphasis on the new products that are getting launched. Cookers would see that happening over the next few quarters. So in all the 3 core categories of cooker, cookware and appliances, we are sort of launching multiple new products that would come in and sort of help us ramp up the growth.

The second part that you have asked in terms of new products, we have a significant portion of our revenues coming from new products. Probably right now, I'm not at liberty to convey that, but I would probably emphasize the fact that even currently in our portfolio, the quantum of revenue that comes from products that have been launched over the last few years, or maybe 1 year to 2 years, is significantly high.

So as I mentioned in a few of my interactions and earlier also, the success of the company has always been with innovative products of superior quality. That's something that we will continue to hold strong as we move forward.

Hitesh: Sorry, I was mentioning to what is the percentage of premium product offerings in the current revenue profile? That was the question. And in an extension to that, whom would you compare yourself in the premium because we don't see many brands in the premium categories and whichever brands we see, these are all subpar in terms of scale except for one of the listed players.

Venkatesh V So I would sort of look at it as two ways. One way is that the core customers that we are focusing on continue to upgrade and offer us better value. Now that is from a perspective of existing portfolio getting sort of upgraded with better quality and feature and therefore, getting a premium value as we move forward. If you want to look at Prestige as a brand, I think consistently, it's been charging a premium to the rest of its peers and that continues even more aggressively as we speak.

Like you mentioned, we're not talking about super premium categories at this point of time. We're talking about categories where Prestige operates today, and Prestige as a brand has been able to continuously keep increasing the premium over the next few competitors over the market. And that's the direction that we've been taking. Like, asked in another question, are we completely looking at a new premium brand or a premium opportunity? That's too early for us to answer at this point of time.

Moderator: The next question is from the line of Priyank Chheda from Vallum Capital.

Priyank Chheda: My question was on the divergence of the growth that we have seen within cookers and cookware, right? I mean now it has been multiple quarters that we are seeing cookware has recovered back on the growth path, but while cookers continue to remain subdued, which is 30% of our revenues. What would be the reason for that? I mean, is it, let's focus on the new product development of the cookers? Or is it a category problem? Or is it a consumer upgrading to our competition? So what would be the key factors for this divergence of growth?

Venkatesh V So as far as cookers are concerned, we are quite confident that we continue to maintain our leadership, and we've been effectively very strong. I think the challenge that the category is going through is that the category is actually sort of seeing a churn from some base aluminum material to stainless steel and triply. And therefore, while the efforts have been to largely upgrade consumers, and therefore, see the value growth. The category is seeing value growth happen over a period of time. Volume growth has been subdued. We believe that this is temporary in nature and to sort of come back as the market comes back.

But from a category perspective, it is facing a sort of internal migration basis consumer demand, and that's something that we are now focused on. We continue to upgrade our consumers to stainless steel triply and that's adding on to the kitty as we move forward. So what you see as a sort of a growth and right now in my mind is transitionary. As the transition from aluminum to stainless steel triply sorts of peters down and stainless steel triply continues to grow very fast, you would see that the category growth will start coming back again.

The robustness of the category vis-à-vis other categories we will see it as we move forward. But nevertheless, cooker as a category would definitely see growth as the market bounces back and also as the upgradation to a different material continues to be happening. And that's also leading to premiumization in that category.

Priyank Chheda: Perfect. And would you like to highlight on the competitive pressures. In the premium side, there are not many players. On the mid-premium side, while where the most majority of our portfolio operates, there are a lot of other non-national players, but maybe there may be branded players, but a lot of pan-India players getting more aggressive.

Would you like to highlight on the competitive pressures and as well as on the GT market, which you alluded would we be losing out some wallet share in that market, given our own focus on to LFS, e-commerce as well as EBO. So of share loss on the GT plus overall a competitive landscape which you can highlight.

Venkatesh V Yes. So I think we give due credit to all performances. So I think the way I would see it is, there has been a lot of accelerated entries into multiple subcategories in which we are present. And therefore, some of the competitive growth that you would see is happening because of some new opportunities that other players have sort of seized upon.

We continue to do that, and that is one of the highlighted points that we said that we would accelerate our new product development and new product initiatives so that we also get the benefit of that growth, and at the same time, we sort of continue to demand and generate the same market share that we have done in the past.

So currently, as we speak, the competitive pressures, I would say, is not resulting in we losing wallet share. I think probably there is market expansion that's happening in a couple of categories, which we believe we should focus upon as well.

And as we move forward, we would focus on a few categories where we've sort of not accelerated them. And which is one of the points that I made saying that we would like to focus on a few categories where we don't have a fair right of share at this point of time. And that's something that we would strengthen by way of our own go-to-market strategy actions as well as the new product development that we need to do to plug in the gaps.

So to summarize, I'm quite confident that it is not a wallet share loss issue or a market share issue as much as it's about opportunities that probably we need to seize upon as we move forward. And we do believe that we've already initiated those actions, and you would see that happening over the next few quarters.

Priyank Chheda: Perfect. Great. Congrats and best wishes. Just a clarification on the investments that you alluded to that you are building up R&D team, I believe we were always strong on the R&D and a few other investments which you highlighted, I would have missed out if you can just touch those again.

Venkatesh V No. So we've strengthened the management. The first thing that we have done is to strengthen the organization given the transition that's happening today. And I think we've been fairly successful in having a good transition where a major part of the leadership is today being sort of being handheld by the seniors and now sort of independent responsibilities are happening. That's the first investment that's happened over the last few years.

The second part of it is we are quite cognizant of the fact that we need to continuously keep invested upon in both quality offerings as well as in terms of what can be innovative, like I said, some of the subcategories that are coming in, some of the new categories that are evolving like air fryers and so on, which need a good deal of incremental investments to be made both from a product design perspective as well as from some of the additional capabilities to be built.

So our focus is on building those capabilities where we probably today are not as strong as we would like it to be. Having said that, some of the core categories like cookers and cookwares, we've significantly invested in the past, that continues to stay invested upon. We are adding new layers of capabilities to come in. That is where the investments will go.

Moderator: The next question is from the line of Achal Lohade from Nuvama Institutional Equities.

Achal Lohade: Sorry if my question is kind of a bit repeated. If you could talk about how the rural market has done for us and also for the industry as a whole. If any comments you would like to offer, are you seeing any signs of revival out there? I do hear that you're talking about June month was pretty good for us. But just a broader comment on the rural market as well.

Venkatesh V Yes, the rural market continues to be subdued. And from the way that we look at both from MFIs as well as from an overall demand, rural markets have been subdued. Initially, we do believe that the election phase had an impact in the first phase of the quarter. But as we move into the second quarter, some of that has got addressed, but there are demand-related challenges in the rural market.

We believe that, that probably, like we see the rest of the market now starting to move, this will also get addressed over a period of time. My personal belief would be that in some categories, our consumption categories, we've seen that revival happening. That should augur well as we move into this category as well. So rural is not fully yet on in my view.

Achal Lohade: Understood. The second question I had with respect to new categories, given our mix of cooker, cookware is 50%, appliances 50% and within that, more so from mixer grinders and gas stove. Would you want to give any clarity as to how do you see appliances portfolio playing out over the next medium term, what kind of new categories we would possibly look at our contribution? What we would look at from new categories in 3 to 5 years to revive the growth?

Venkatesh V Yes. So in the appliances side, we do believe that new subcategories would start playing a large role in our growth and our emphasis on innovation in the appliances side on this. A few categories that we believe are of size today is air fryers have come in right now and it's a good size. We do believe a lot more of new products would emerge in that segment, particularly in the appliances side.

And that is something that we're sort of strengthening our hold and our approach to that. So needless to say and repeat again, I think innovation across category, more so in appliances, would be a very strong focus area for us to ensure that we are able to get the growth growing strongly.

Achal Lohade: And just last question, if I may. Sorry, if I have missed this, if you have made any comments with respect to revenue growth over medium term as well as margins?

Venkatesh V No, I don't want to do a forecast at this point of time. So I think as we move forward, we do believe the market is moving up, and we have enough initiatives that would sort of strengthen our position in the market. That would be my reply.

Achal Lohade: Got it. And just one small data point, if I may, sir. With respect to stainless steel, you did mention that, that is where the significant premiumization which is playing out. Can you highlight what is the contribution of stainless steel products within cooker and cookware, respectively, as of now?

Chandru Kalro: So the stainless steel business has been growing, but I don't think we would like to share that because it's competitively sensitive at this point in time. It's safe to say that stainless steel is definitely growing faster than the aluminum side.

Moderator: The next question is from the line of Mayur Parkeria from Wealth Managers Private Limited. Sorry to interrupt you sir. I request you to use the handset, please.

Mayur Parkeria: Sir, I wanted to understand a little bit more on the cookware side. A lot of focus is there on the appliances and the cooker side. Sir, I understand that we may not be okay to give the -- margins are stacked, but from an ROC perspective, where does cookware stand in relation to cookers and appliances.

Chandru Kalro: So cookware is a very profitable business for us like cookers is. So it's an extremely important part of the business. And it's, of course, a faster-growing part of the business because it's, relatively speaking, underpenetrated as compared to pressure cookers.

Mayur Parkeria: Correct. And I believe this will be there for the industry also as well, right? The cookware will be better ROCE category rather than the appliances and more penetrated -- the cookers right?

Chandru Kalro: Generally, yes, but not necessarily 100% because depending on how their pricing strategy is, which segment they are working on, it would vary from brand to brand. And the kind of capital they put in the business and the kind of scale they're getting at the sales will decide how much ROC they get. So it's a lot of things, but generally, cookware for us is a very profitable business.

Mayur Parkeria: Okay. Sir, I will come to the question because otherwise, I'll get restricted to the question because that's a general understanding. The question I had was, in the cookware segment, we are largely present mostly in the pan and its sisters, around the pan what I mean to say, right? But then when we look at today's trend in the consumption and the consumer behavior, there are many tools. Cookware is a kind of a tool which helps us from a cooking perspective.

When you visit the large-format stores and you get the new trends, right from spoons and tools -- in the cookware segment itself, they may be slightly smaller in nature. But the spread is very high. Do we have any intentions to enter into some of those segments in the cookware side, which is not there, we are not present because when we see a huge demand on that side and what we learned from the channel on that side?

Chandru Kalro: So okay, what you're defining as cookware is different from what we are defining as cookware. What we are defining as cookware is the pan, which is the tawas, frypans, kadais, casseroles and so on. What you are defining as cookware, we define as utensils. Now these utensils, kitchen gadgets, etcetera, etcetera. And what you're also defining as spoons and forks, we define as cutlery.

Mayur Parkeria: So we may not enter those category, and it is out, we don't look at.

Chandru Kalro: Utensils, etcetera, I think that we are actively considering. But at this point, and we don't have something to report.

Mayur Parkeria: Okay. And in the cookware segment then, do we have any white spaces. The second is overall cookware, what would be our market share if you have any data on that side in terms of our niche, our mass premium segments, which we have.

Chandru Kalro: One of the reasons why our growth rate seems smaller is because we already started with a very wide portfolio. The white spaces, they're few and far between. Some of our competitors have just filled those white spaces. So their percentage growth seems to be larger than ours. This is an extremely important point that everybody should understand. The second thing is, when we talk about -- what was the second part of your question? The market share, we are by far leaders. The nearest player is less than half our size.

Mayur Parkeria: So sir, would be in 60% kind of range? Or is it lower in...

Moderator: I request you to come back for a follow-up. Thank you. The next question is from the line of Rahul Agarwal from IKIGAI Asset Management.

Rahul Agarwal: Firstly, just a question or a suggestion. I see TTK doing a buyback last was in fiscal '18, I see INR1,000 crores on the balance sheet. I see promoter holding at 70%. I see there is a significant management transition which has happened and the business recovery looks like right at the horizon. Any thought at the board level in terms of utilizing the cash? Because my sense is the capex and dividend pay outs 30%, 35% are already taken care of. Any thoughts on this? Just that's my first question.

K. Shankaran It is now parked for discussion at the next Board meeting, we'll come back to you later.

Rahul Agarwal: Okay. And secondly, I think supplementing one previous question, what I wanted to understand just directionally is between cooker, cookware and appliances, what could be a segment which would grow faster than the other, let's say, if we talk about 5 years, directionally? And which segment is more accretive on the balance sheet in terms of ROC?

Chandru Kalro: So clearly, our market shares, relatively speaking, are lower on the appliance side, and the market sizes are bigger, relatively speaking, on the appliance side. So I see the appliances growing faster than the pressure cookers and cookware, given the kind of breadth of categories that are available in appliances, right? In terms of the margin structure, largely they are equal, I don't think any particular category is going to drag us down or add to this.

Yes, cookers and cookware are marginally ahead in terms of margin that they can give us. But we've been managing this through a combination of both product mix, premiumization, channel mix, etcetera, etcetera. And therefore, at EBITDA level, I don't think there's going to be very material difference if one goes over the other.

Rahul Agarwal: Is it the same on capital investment also across these segments?

Chandru Kalro: So till now in appliances, we've been very asset-light. We've got dedicated manufacturers for us. So it's largely outsourced. Whereas in cookers and cookware, we are largely manufacturing those products. So from an investment perspective, obviously, appliances is an asset-light area for us.

Rahul Agarwal: Which basically means that the ROC might be equal in that case, right?

Chandru Kalro: Exactly. That's what I was trying to tell you.

Moderator: The next question is from the line of Resha Mehta from Green Edge Wealth.

Resha Mehta: Yes. Just one question. So you spoke about some green shoots in demand in June. So can you give some qualitative color on how the demand in this June versus last June has panned out, because even the last Q1 was subdued? So June to June, if you could give a comparison. And are you seeing those green shoots continuing as we've moved ahead in July currently?

Venkatesh V Yes. At the market level, we do see that there is definitely an improvement that's happening over the quarter, and that probably would flow into the subsequent months as well. Like I mentioned, I think we've seen robust growth across e-commerce, large format stores. And we've also had seen good growth in our own exclusive outlets as well.

The challenge continues to be in general trade. It's is softening, but it is still a concern that we would have. But a major concern has been on the rural side, as I mentioned. So if I were to look at the non-rural side of the market, I think it is starting to show signs of improvement, which we believe is also evident in June as well.

Resha Mehta: And you see that continuing in July as well?

Venkatesh V Yes. We do believe it will continue in July.

Resha Mehta: So if we were to compare current June and July versus June and July of 2023. So are we seeing a double-digit kind of a growth at an overall level, putting all channels together? Or is it still in single digits?

Venkatesh V No, I wouldn't want to comment on that right now. I wouldn't be in a position to answer that right now.

Moderator: The next follow-up question is from the line of Hitesh from Kosha Capital.

Hitesh: Just trying to understand this whole new product introduction, how are you planning to weigh between manufacturing in-house vis-à-vis vendor-based outsourcing?

Venkatesh V.: Like Mr. Chandru had mentioned, our Appliances business is outsourced with partners who have been significantly investing for us. So that continues to be the approach as far as appliances is concerned. As far as the cooker, cookware segment is concerned, we are largely in-sourced in terms of manufacturing capability.

So new product development, in our view, is independent of the structure today. It is more about identifying the spaces and being able to launch them. We have capacities and capabilities that are being built through a combination of in-sourcing and outsourcing.

Moderator: Thank you. Ladies and gentlemen, we will take this as the last question. I now hand the conference over to the management for closing comments.

Venkatesh V So thanks for this opportunity and the interaction. We do believe that we are in a space that we would sort of be able to ramp up the growth as we move forward. Challenges aside, there are a few opportunities that we strategically would pursue and continue to keep the legacy of this organization based on innovation, growth, premium and good quality products keeping the customer at the center. I think that's the focus that we're bringing in. We continue to stay invested upon these areas, and we are sure to see growth as we move forward. Thank you.

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