



“TTK Prestige Limited 4QFY21 Earnings Conference Call
Hosted By Ambit Capital”

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MODERATOR: **MR. ASHISH KANODIA – AMBIT CAPITAL**



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Moderator: Ladies and gentlemen, good day and welcome to the 4QFY21 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 ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Kanodia from Ambit Capital. Thank you and over to you, Mr. Kanodia.

Ashish Kanodia: Thank you, Rituja. Good afternoon, everyone. Welcome to the 4QFY21 Earnings Conference Call of TTK Prestige Limited. From the management team, we have Mr. TT Jagannathan – Chairman; Mr. Chandru Kalro – Managing Director; Mr. K. Shankaran – Wholetime Director; and Mr. R. Saranyan – Chief Financial Officer. We will start the call with opening remarks from Mr. T.T. Jagannathan, post which we will start the Q&A. Thank you and over to you, sir.

T.T. Jagannathan: Thank you. Good afternoon, everybody. As you might have seen from the results that we have uploaded, we have had a very-very good year, in fact, this has been the 10-year considering that we had two months of COVID we had only 10-months of operation, it's been our best year and also Q4 has been an absolute best quarter, not really comparable to last year, but in comparison to all fourth quarter, it has been the best quarter. Our EBITDA growth has been very strong and free cash growth has been very strong, also, I am very happy with the results.

K. Shankaran Before taking the questions, I would like to make a customary safe harbor announcement. Dear, investors, thank you for joining this call. This conference is open to questions. We already placed results in our website and the results have been circulated and also extract from directors report. During this question-and-answer session, there may be futuristic statements that will be made by the management in response to some of the questions, but these are the intention of the management and the best efforts will be put in by them in realizations of goals. The success and realization of goals depends on various factors both internal and external. Therefore, investors are requested to make their own independent judgments by considering all the relevant factors before taking any investment decision.

Now, let us move to question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: My first question is with respect to the kind of price increase that we have taken across cooker, cookware, appliances. If you can give a broad overview given the fact that commodity prices have gone up? Are these price increases enough as of now or do we take more price increases given the fact that raw material pricing have been on increasing trend? And can we maintain our gross margins in FY'22?



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- Chandru Kalro:** The commodity price increases have been happening since September and October of last year. And it has been across the board. And we have taken two price increases in this financial year for the appliances and one in the case of cookers and cookware. In the case of appliances, where there are plastics and electrics and there is a large amount of copper, the price increases have been between 13% and 18% overall totally. In the case of gas stove, it has been between 11% and 13%. And in the case of pressure cookers and cookware, it has been about 5%. Now, even after that, in Q4 we have seen the commodity prices run up, but luckily for us that is something we are seeing that is abated and it is starting now probably beating. Our idea is to see if we can pass on the cost increases and maintain margins. We do not see any reduction in demand. And right now, we are not seeing the danger because the cost increases have abated and hopefully going forward we will be able to maintain our gross margins overall year-to-year.
- Ravi Swaminathan:** From a demand perspective, this time due to the second wave rural has been hit more. What kind of mix do we have between urban and rural in terms of sales-revenue mix and do you see higher impact to sales this time vis-à-vis last year?
- Chandru Kalro:** Directly attributed to rural is very small, under 10% that we see. The rest of the goods actually go into urban India and from there if there are traders trading into rural we do not really track it. As far as the impact of this COVID wave is concerned, we will need at least a couple of months to understand the full impact after the unlock is happening.
- Ravi Swaminathan:** Can we expect similar sales or even better sales in FY'22 over FY'21?
- Chandru Kalro:** We cannot say anything until we are opened, and we see a month or two.
- Moderator:** Thank you. The next question is from the line of Sameer Gupta from IIFL. Please go ahead.
- Sameer Gupta:** On your medium-term strategy, I understand that these are uncertain times. But when we look at a portfolio and the gaps in terms of our presence what kind of strategy are we looking at to ramp up our sales growth, anything on your total reach in terms of retail outlets, any target you can share how you would like that to be, any geographical color whether there is higher presence in southern India and you want to ramp up in northern India, anything on that front will be helpful sir?
- Chandru Kalro:** Last year has not been like this, just a pent-up demand happening. Let me assure you there are a lot of things went behind that for us. First, to answer your question specifically in terms of distribution, we have significantly expanded our distribution in areas which we identify as growth areas in the north and east for example. Our maximum increase in the number of outlets has happened in this FY'21, and I believe that distribution is really standing us in good stead as we go along. All our channels have fired well in Q4 and the way we are looking at it



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we will continue our journey of innovation; we will continue our journey of launching newer and newer products and establishing or maintaining leadership in all our core categories.

Sameer Gupta: Just a follow up on this, when the distribution highest increase is happening, has it also got to do something with the disruptions in the unorganized and the smaller players that has facilitated us in some way and maybe tomorrow in more normal times it will be that much more difficult to continue on this journey?

Chandru Kalro: No, actually, not, the distribution increase has not happened because it could not get something else. Distribution increases are happening on the basis of some hard work on the field, going and actually tapping counters and putting our products there. Now, the first half was largely disrupted for the smaller brands but the second half the supply chains were all back. But if I am going to get sales from those outlets, it means that I have established a sustainable distribution in those areas.

Moderator: Thank you. The next question is from the line of Aditya Bagul from Axis Capital. Please go ahead.

Aditya Bagul: Sir, my question is specifically with regards to cookers and cookware range. We have seen multiple years that the growth rate has been reasonably tepid. I just want to get an understanding from you as to are we seeing structural jump up in terms of the growth rates that we are expecting? And what are the reasons behind?

Chandru Kalro: I would believe it is too early to say structural because it is only last 10 or 12-months that we are talking about. But cookware business definitely is looking robust. As far as we are concerned, you know that we have taken too large steps in both the pressure cookers and cookware. One in the pressure cookers, we moved all our pressure cookers to the new Svachh platform, and we continue to be unique on that platform, no one else has that characteristic of product which actually prevents frothing and things getting dirty in the kitchen. That is the feature that is completely unique to us and all our pressure cookers have moved there. Second structural change we made in cookware was that we expanded our portfolio in areas which we were not playing to a great degree, for example, we were earlier largely dependent on just nonstick. Our nonstick cookware portfolio got much more powerful but in addition to that we have added a full stainless steel cookware portfolio, towards the end of the year we added Cast Iron Cookware portfolio, we have strengthened our Hard Anodised Cookware portfolio and most importantly, our exports on cookware are also doing exceedingly well. So, these categories have received a lot of attention from us, and we are hopeful that growth rate we should be able to sustain.

Aditya Bagul: Just a follow up on the question if you can share what is the sort of volume growth that you have seen in FY'21 especially in the cookers and cookware segment, that would be very helpful?



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Chandru Kalro: So, there has not been a volume growth of any significance in cookers, but we maintained our volumes. But in cookware which is our highest ever volume that we have looked at and it is in high double digits in volume in spite of the fact that the first quarter almost was washed out. So, as what Chairman said in the beginning, the operating period in this year was just 10 or 9 months. And if we are looking at this, we are really looking at a substantial growth in the last 9 months of this financial year.

Aditya Bagul: My last question is in terms of our overall margin. Here again we have seen a significant step up close to high teens especially in the last two quarters. Is it permanently led by our cost curtailment/operating leverage concept or is there something materially different that we are doing which can lead to a more sustainable sort of a margin?

Chandru Kalro: It is a combination of factors. One, I think the company has taken several measures to get itself more efficient cost-wise. Some of it will sustain, some of it will not sustain until unlock is complete, for example, travel expenses may not be as low as they are in this year if the unlock opens. But there are a lot of initiatives in manufacturing, in other cost areas, in logistics which we would have taken, which will actually hold us in good stead. On the material cost front, I think we have taken a lot of care to make sure that our portfolio of products are able to justify the value that we are seeking from the customer and delivering better value to them even more than the money they are paying, this is through new products which is through a variety of marketing initiatives that we are taking, and I think that will continue as long as our innovation pipeline is happening and that is going to happen.

Aditya Bagul: I understand that it will be difficult for us to talk about the immediate term. But really if you can help us understand what is the kind of growth trajectory that we expect in the medium-term, let us say three to five years that would be very helpful?

Chandru Kalro: I think we have made our intention very clear in our vision statement and we said this last time that we are about a year, year and a half behind from that vision statement to reach where we wanted to, but really a CAGR of between 15% and 17% in our existing organic business. And I think that is what we will strive to maintain. However, we are going through some very difficult unpredictable times for the last two, three years and what you are seeing therefore is a combination of those things playing out. In the meantime, what we are also trying to do is definitely deliver a disproportionate growth in bottom line which is also you are seeing.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Sir, question is on both cooker and cookware. It will be useful to understand the market share how it has moved over the last one year?



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- Chandru Kalro:** Market share numbers have not come for the year yet. The market share numbers really can only give you a trend, there is not anything else. On the trend perspective, the reason I am saying that also is not because of anything else, because all channels are not covered, and channels are proliferating every day. So, from a trend perspective, if you see we have gained market share in both pressure cookers and cookware and I would say at least 100 to 150 basis points in both, but I have not got the figure yet for me to say that with any degree of confidence or certainty. But the way the trends were for the first week of a quarter, we are looking at a growth in market share.
- Bhavin Vithlani:** For the appliances portfolio, we had set a target of doubling over a five-year period. Could you walk us through which are the specific segments that will drive the growth? And if you could also add initiatives that you spoke about in terms of new products in leaking side, specially hobs and the lever area, that would be useful to understand?
- Chandru Kalro:** You know what our core categories are, and those core categories are pressure cookers, cookware, gas stoves, mixer grinders, wet grinders and induction cookers. Now which categories will do well, I don't think it's a matter I would like to disclose here because it is competitively sensitive. Because the strategy has always been to come out with products and offering which are significantly better and would stand out in the crowd in a very competitive category. And that has been the strategy and that is the strategy which will be followed. Combined with the marketing effort and distribution effort that will follow with it.
- Bhavin Vithlani:** Last question is on specific category which is mixer grinders. That is the category that we are seeing a lot of competitive intensity building up. Could you help us understand the initiatives that we are taking to defend and grow our market share in this category?
- Chandru Kalro:** The good news and bad news is we are not yet leaders in the mixer grinders. We are the ones who are aggressive there and it is definitely getting more competitive as we go along. There are some very well entrenched players in the market. We are also coming up with our set of offerings in this market. This is a stable high growth market, and we are also seeing that customers are buying more expensive products in this category which means that the customers are open to innovation and that gives us our sense of opportunities in that segment.
- Moderator:** Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.
- Charanjit Singh:** If you can just help us understand the channel mix for the quarter and for the full year? Earlier we had a very significant increase in proportion of sales from online. Has stays at that 25% or it has increased more in Q4?



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Chandru Kalro: I wouldn't be able to give you all the details of the channel mix except that I can tell you one thing that all our channels have grown in the Q4 and in fact, the other offline channels have grown faster than the online channels. Overall, today, online is 19% of our business.

Charanjit Singh: What proportion would be contributed right now from MFI channel?

Chandru Kalro: It is very small.

Charanjit Singh: Sir, the other thing is now when we listen to the commentary of the other companies, maybe Tier-1 has recovered faster than Tier-2, Tier-3 this time because the problem is more widespread into the country. So, in terms of our mix of Tier-1 versus Tier-2, Tier-3, how is that? And based on that then how do you see the outlook for our different product categories?

Chandru Kalro: I have already said that we have added distribution this year, probably the maximum number of outlets have been added this year. Most of these outlets have been added in the Tier-2, Tier-3, Tier-4 towns. And our idea is to make sure that our penetration in these towns goes up and up because we do believe that the growth rates are faster in those geographies. Having said that, I don't think there has been any significant shift towards Tier-3, Tier-4 towns last year because the benefits of these will accrue in the years to come for us. But yes, there has been some growth in those areas, and we have grown faster in the smaller pop strata than in the larger pop strata, growth has come everywhere.

Moderator: Thank you. The next question is from the line of Kunal Sheth from B&K Securities. Please go ahead.

Kunal Sheth: Sir, you mentioned you are working significantly on distribution. So, I just wanted to check on the entire room how do you look towards this, is there a room to improve distribution further, is there a metrics where you have reached a X number of outlet out of total number of outlets in terms of reach that you follow, if you can give us some sense on that?

Chandru Kalro: There is always room for improvement, and I do believe there is headroom to get more and more outlets as we go, and we are still looking to increase our distribution.

Kunal Sheth: Secondly, on the cooker and the cookware category, what would be your assessment of a fair number in terms of growth that these categories can grow at? And given the distribution and product action that we have taken, is it fair to assume that TTK has ability to outgrow the market for the next two years and given that we have dominant position in these markets?

Chandru Kalro: That is the intention. These are our core categories. See, pressure cookers are a very mature category. We are talking about an urban penetration in excess of 90%. Therefore, cookware is not that heavily penetrated, but it is. When these are very mature categories, in the past, we had at best high single digit growths in the category. In cookware also, we had low teens growth in



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the category. That is where the categories are. Now, when we are talking about the 15%, 17%, we are obviously trying to see whether it's a good year or a bad year, we are looking at street how we can beat our peer group. When I say that my market share has gone up, it means that I have grown faster than my peers. That is the attempt and that is what we try and do.

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

Aniruddha Joshi: Sir, eCommerce was probably less than 5% to 7% of sales around five years ago and now it is nearing 20% of sales. If eCommerce continues to grow, do you see that the consolidation in the distribution channel can have impact on companies pricing power in long-term, so let us say e-commerce or online channel becomes the way it is growing, if it crosses 35%, 36% of the overall turnover, do you see any risk in that and what would be the strategy of the company in that case?

Chandru Kalro: We have constantly worked on derisking our channels over a period of time, you are aware of that. Now, eCommerce growing is a matter that is not in our control, that is the customer change that is irreversible. But having said that, eCommerce itself is evolving the number of ways in which a person can buy digitally. eCommerce is now transforming into digital commerce. The offline stores are looking at capturing the digital commerce. So, there is a lot of evolution that is happening, a lot of churn that might happen. Our idea is to be present where the customer is going and as long as we can be present where the customer is going and actually deliver a good experience to the customer we believe we are on the right track. Rest is up to the customer. We are here to serve the customer.

Aniruddha Joshi: Another question is what would be our market share let us say in offline channel versus the online channel? At least we have seen consumer staples that online channel through the pricing power becomes a question but still actually the competition is low in eCommerce. So, the market share for an organized or a larger player like it can be higher.

Chandru Kalro: I cannot give you the market share because I don't have the hard facts in front of me yet. But I can tell you we are leader both in online and offline in those categories which I have said. Now, the point that you made that online competition is low, I disagree to it. The online channel offer a readymade platform to the lesser-known brands, for want of any other word. They give them access to a marketplace which they otherwise didn't have. So, it's a competitive world out there. We have to constantly make sure customer makes his value in our brand. Remember, we are in durables, we are not in FMCG. So, therefore, a substantially good aftersales service is very important to a customer. And that's something we have taken long time to build, and we believe that is our true strength.

Aniruddha Joshi: In the opening remarks you indicated about the price hikes across product. I missed that number. So, if you can please just share that number again?



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Chandru Kalro: So, what I have said was we have taken price increases in appliances and one price increase in pressure cookers and cookware. In appliances, we take in between 17% and 19% in electric and we take it about 13% in gas stoves and we take it about 5% in pressure cookers and cookware.

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

Achal Lohade: Third quarter is seasonally a good quarter for us. How do we expand this gross margin expansion – is it driven by higher price increase and the cost inflation or is it promotion in the fourth quarter?

Chandru Kalro: I said it's a combination of factors. Number one, we had effected the price increase in the quarter. Second, we had a good channel mix. And third, we had a good product mix. A combination of that is what you are seeing as expanded gross margin.

Achal Lohade: Second question I had is in terms of the retail tracking. We hear a lot of other appliances companies are talking about they are able to track the retail sales through our distributors or dealers. So, are we able to track our retail sales like you mentioned about the rural sales actually partly happens to urban, is there any way to track, have we worked on that aspect and where are we on that?

Chandru Kalro: We have a full distribution management software with which we track our sales from our distributors to our retailers. This is very well in position. We have our dashboards from our large format stores which actually help us track our sales. We have our dashboards with the online platforms which help us track our sales. With rural, we have a dashboard which help us track our sales. So, virtually all channel we are tracking our sales to the last outlet. We are not able to track completely from their tertiary in terms of the general trade. The tertiary from our large format, we are able to track. Nobody can. Is that the question you had?

Achal Lohade: Right, right, understood. So, basically the retail sales are not able to track, but the sales from the distributors or from us to the retailers we are able to track, I hope I got it right.

Chandru Kalro: Yes, you are right.

Achal Lohade: With respect to the categories like cookware, cooker, what is the stainless-steel mix because I remember talking about the stainless steel is more durable so the growth would be an impact even though immediate growth would be larger, so just thought on that from stainless steel product for cooker and cookware, what is the respective mix?

Chandru Kalro: In terms of cookers, it's about 70:30, in terms of cookware, it's 90:10 in favor of aluminum.



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- Achal Lohade:** In terms of the stainless-steel mix for cooker it is 30% currently, how do you see over next three to five years, do you see getting swapped with the aluminum?
- Chandru Kalro:** I said that 24-months ago there was so much bad publicity about aluminum. But I believe that people have understood that that is just bad publicity and nothing else, and there are no factual things there. I do believe that stainless steel over a period of time will grow along with the prosperity of India. But it will be a slow process, it is not going to happen overnight.
- Achal Lohade:** Gas stove revenue numbers for FY'21?
- Chandru Kalro:** We have given you some break-up, that is what we can stay with.
- Moderator:** Thank you. The next question is from the line of Disha Seth from Anvil. Please go ahead.
- Disha Seth:** Sir, I just wanted to have the gross margin expansion which you had in this quarter. Is it sustainable for the next quarter? And have we taken again the price hike for the increase in commodity prices for Q!?
- Chandru Kalro:** I will take the second question first. No, we have not taken any more price hikes. We were believing that with the rate at which the commodity prices were going up, we might need one. But since they started abating, we will not require anymore. On the sustainability question, our margin that you have seen in Q4 has a combination of factors as I said. And in those combination of factors, yes, it will sustain. If there are any major channel/ product mix churns, then we will have to see how it works.
- Disha Seth:** How are you seeing the demand for our products, is it affected due to lockdown or the momentum of work from home demand are there?
- Chandru Kalro:** Right now, there is nothing that is working. Even the online channels are not able to work without a problem. So, it is very difficult for us to tell you anything. We need at least four to eight weeks of operating after unlock to understand how the customers behaving. But I don't think that the category was as mature as it was, will go down in terms of demand. If anything, it should only grow.
- Disha Seth:** Sir, can we assume that half of April and half of May was almost washed out because of people couldn't come out of home and partial lockdown or sales are happening partly?
- Chandru Kalro:** No, almost a national lockdown, there is no place that is working. You are right, half of April was gone. Whole of May is gone really, nothing happening.
- Disha Seth:** For the growth of the cookers, is it to grow for the cooker for the companies to gain market share from each other, because the category is not growing so much since it is fully penetrated



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or is that faith in rural demand, how are we going to grow more in cookers to gain market share?

Chandru Kalro: First, the replacement cycle has come down, people replace their cookers much faster these days. Second, people buy add on cookers much more these days, there is multiple ownership. Third, the rural area is not as heavily penetrated as the urban area and the infrastructure has started to build up in the rural India and that is allowing access to the rural markets. And fourth, the penetration of Ujjwala and all the other measures that the government is taking to get people to move to cleaner forms of cooking will mean newer kitchen coming to pressure cooking. So, those are the sources of growth.

Management: And new product... innovation.

Moderator: Thank you. The next question is from the line of Manish Poddar from Nippon India. Please go ahead.

Manish Poddar: Just two questions. First is let us say in terms of price parity in your larger products, the gap versus the number two or the unorganized, is that gap largely same now given the price hike which you would have taken?

Chandru Kalro: No, the priority has been changed. If anything, unbranded has had to take higher price increases in many cases especially in pressure cookers and cookware.

Manish Poddar: How does EBITDA margin stack up across channels?

Chandru Kalro: I wouldn't want to get into those numbers.

Manish Poddar: But qualitatively, which channel is better than the others?

Chandru Kalro: The online and large formats are roughly similar; the general trade and my own retail is roughly similar.

Moderator: Thank you. The next question is from the line of Naveen Trivedi from HDFC Securities. Please go ahead.

Naveen Trivedi: The product mix between 3Q and 4Q, I find no such difference in terms of bps. If I look at a gross margin expansion quarter-on-quarter there is almost 400 bps sort of expansion. Just wanted to understand is there also some sort of a benefit of the old inventory helped gross margin this quarter?



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Chandru Kalro: Certainly, that was also one of the points. We did carry some inventory from the old period. And there has been better model and better channel mix and across price increase that we have taken.

Naveen Trivedi: You mean to say offline channel has a better gross margin than online channel for us?

Chandru Kalro: I just stated that our general trade and our retail has one type of margin and our online and our eCommerce has one type of margin. But in our Q4 all our channels grew faster than online.

Naveen Trivedi: If you can also give advertising and promotion spend for FY'21?

Chandru Kalro: It's been around that 6% level for a long time.

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

Aniruddha Joshi: In a replacement cycle, a person may buy a pressure cooker and he will come back to replace that cooker maybe after five years or six years because the pressure cooker will not be that efficient or may have some issues, etc., or he may just want to replace that?

Chandru Kalro: Pressure cooker today under five years that we are seeing, not because of not being efficient, but simply because people get bored, it's like the way you change your mobile phone, whether it's working or not, you tend to change it, it's like that, that's something that the customer has had to. In our case, we are driving replacement by bringing out newer and innovative products, for example, the Svachh Cookers, we brought out Cast Iron Cookers, etc., In many cases we have not even replaced, we have just add on. Cookware replacements are faster because they tend to wear out faster, so non-stick cookware may be a year or two years, they will replace, induction cooktops every three years, gas stoves maybe five years, mixer grinders maybe four years. Depends, every one of its category has its own reason for replacement. Reasons for replacement are either worn off, they found a better product, they need an add-on capacity, they want to use it for something else, etc.,

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: In your press release, you mentioned the Kharadi factory continues to be in the lockdown and it's like two quarters in a row. It will be useful to understand what exactly the issue is now and when do we expect the resolution?

Chandru Kalro: They had entered into an illegal strike which forced us to declare a lock out. And after that, there have been several rounds of mediation between the labor commissioner, the union, and us. And that process is still on.



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- Bhavin Vithlani:** Any timeline that we could expect on the resolution because it's been...?
- Chandru Kalro:** These things are very difficult to predict. Obviously, the company would want its factory up and running as quickly as possible. We are in the meantime doing things like going for periodic maintenance and other things so that there are no major losses due to the factory being shutdown, all of that is happening. But I don't think we can say that this is when we will complete this process.
- Bhavin Vithlani:** In the previous quarter, you had mentioned about the expansion that you have undertaken in various categories. If you could walk us through what is the level of capacity expansion that we are doing in cooker, cookware and appliances category and where are we in that expansion process?
- Chandru Kalro:** Cookware, we have almost doubled our capacity, we just built up a new plant which will get commissioned in the next three months, because this COVID has actually delayed matters. In terms of pressure cookers, we are looking at maximizing the usage of machines to improve the production right now. We are saying that let us wait for some time before we can add capacity after we have seen the post second wave situation and then we will take that decision. In terms of appliances, all our vendors have actually doubled their capacity for supplies. You know last year we took a very bold decision of moving all China finished goods into India. Most of that has been complete. Those capacities have been set up. So, when this lockdown opens up, we will have those supplies coming in. Our supply chains are in place.
- Bhavin Vithlani:** What will be the revenue share from our own stores PXL and how are we seeing in terms of store expansion and increasing the share?
- Chandru Kalro:** Our own PXL are around 14-15% of our total revenue; we are at about 620-630 right now. And we are looking at seriously putting in all efforts to make sure that our expansion program on PXL accelerates in the coming years as we go along. We believe seriously it will help the brand as we go along.
- Bhavin Vithlani:** What percentage of these 630 numbers will be old and franchise ones?
- Chandru Kalro:** 99% are franchise.
- Moderator:** Thank you. The next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.
- Shrinidhi Karlekar:** Sir, a couple of questions on cookware category. Sir, given your current product portfolio, how large is this cookware market according to you and how fragmented it is, Rs.300 crores ballpark figure you have, right. So, considering those only, how large is the addressable market that we have?



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- Chandru Kalro:** We believe the addressable market is in excess of Rs.2,200 crores for pressure cookers and in excess of around Rs.1,400 crores for cookware.
- Shrinidhi Karlekar:** Extremely fragmented, right, like top five players could be...?
- Chandru Kalro:** That Rs.1,400 crores which I told you, non-stick cookware is very much smaller than that; it's about Rs.900 crores if I am right and then there are other various cookware like stainless steel, cast iron, etc.,
- Shrinidhi Karlekar:** In terms of product portfolio in this entire cookware category, does our current portfolio largely addresses the market or you would say there are meaningful gaps?
- Chandru Kalro:** There were gaps which is what we are trying to address which is what I said. We have brought in stainless steel cookware in a big way which is a growth area. We are talking about expanding our anodized cookware there. We are talking about getting into cast iron which we have, and we are looking at newer segments of creating newer sub-categories as we go along.
- Shrinidhi Karlekar:** One question on demand elasticity to prices. Sir, according to your own experience over decades, how does consumer react to the steep price, in '12, '13 we had similar price hikes I presume? And how is it different between cooker and cookware and how is it different in appliances, would you say appliances is a much more category which a consumer buying appliance compared to cooker and cookware?
- Chandru Kalro:** India is a value-seeking market. Value-seeking customer will see if he can pair off with price increases that are not justifiable. TTK Prestige has always adopted a fair pricing policy so that we can deliver value to the customer always and make sure that our market shares are protected if not grown. That is the way we have approached the market and the Indian consumer has always been value-seeking and has always responded to that.
- Shrinidhi Karlekar:** Do you think the 10% hike can cause a deeper consumption by a year because typically ...?
- Chandru Kalro:** After the price hike, we have seen a full quarter as you have seen, and I don't think that has created any problem for us.
- Moderator:** Thank you. The next question is from the line of Bharat Chhoda from ICICI Securities. Please go ahead.
- Bharat Chhoda:** Just wanted to understand more about the export business prospect and whether we would have the sufficient capacity to cater to this demand if you could provide more color on that?
- Chandru Kalro:** We have built the capacity to cater to the expanded demand that we are seeing, and I think we are largely covered for this financial year at least. As soon as we unlock, we are going to



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reassess. It's a continuous process. Our exports are doing well, and we are looking at the next couple of years as a strong window of opportunity for export business.

Bharat Chhoda: Sir, could you provide us the manufacturing and outsource mix that we have overall?

Chandru Kalro: 48:52.

Bharat Chhoda: What would be the CAPEX for FY'22?

Chandru Kalro: Around Rs.70 crores for now, but that's a dynamic figure. You know we have cash. If we need to do more investments, we will always be happy to put it back into the business.

Moderator: Thank you. The next question is from the line of Nitesh Shah from Motilal Oswal. Please go ahead.

Nitesh Shah: Just two questions from my side. First, if you can just give us some update on your home cleaning business and the water purifier business, how is that shaping up for FY'21 and the plans going forward?

Chandru Kalro: The home cleaning business, we have divided into three parts; one is the electrics, like vacuum cleaner and things like that; second is the non-electrics which are the swing mops and cleaning accessories like that; and the third are the water purifier. Now, the vacuum cleaner has done extremely well last year. We have expanded seriously on distribution in terms of the non-electrics into super markets, etc., and key geographies. It's still work-in progress as far as I am concerned. COVID has not been helpful on this. And the third part is water purifier which unfortunately we have had supply chain constraint, otherwise, we have some very differentiated products. Hopefully, as soon as we unlock, that is a big area of focus for us. Again, there is a lot to be done. We haven't yet achieved much there to be honest.

Nitesh Shah: What would be the size of the cleaning solutions, all put together?

Chandru Kalro: It's about Rs.75 crores, Rs.78 crores like.

Nitesh Shah: And we are on track to achieve the Rs.500 crores target that we have set out over the next four, five years?

Chandru Kalro: We had set Rs.300 crores. Slightly behind schedule, thanks to this COVID. But hopefully we will do something else to make up for this lost time to sell the new products, We are committed to that number. We want to get there.

Nitesh Shah: Second question was if you can give us some sense on what would be the contribution of products launched in the last two years as a percentage of revenues?



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Chandru Kalro: I think 90% of our pressure cookers have been launched in the last one year because the entire platform has been transformed into Svachh. I am not sure if I can give a number, but yes, the new product launches we have had in each of the core categories we have had significantly successful new product ranges that we have launched... we don't launch products, we launch ranges and in many of the categories between 20% and 30%, cookers particularly because everything was moved probably almost 90% of our sales is now on the Svachh plan.

Moderator: Thank you. The next question is from the line of Neerav Vasa from Anand Rathi. Please go ahead.

Neerav Vasa: Sir, my question pertains to the Prestige Lifestyle products which we are marketing as super premium category of kitchen appliances. I understand that business is in very initial stages. But any numbers can you give for that particular category and kind of growth and the marketing spends that we can do for that category exclusively, that would be helpful?

Chandru Kalro: Unfortunately, we have not been able to expand beyond what we had two quarters ago because of various constraints. So, I don't know if I can answer that question now. Maybe a quarter later, we will be able to get a better hang of where we are on this.

Moderator: Thank you. The next question is from the line of Dipen Sheth from Crystal Investment Advisors. Please go ahead.

Dipen Sheth: The question I want to ask is a little strategic in nature. I see your cookers life of the business has matured but need a category, fine. And obviously, cookware appliances would be the faster growing and bigger opportunity is there in terms of being able to grow the business sustainably. Of course, cookers has its benefit as well. But my question is as you build out the cookware and appliances business and they are already at something like 60%, 70% combined in the revenue mix on the standalone basis, what are the big challenges that you are running into on these categories? You mastered cookers and good with that. You have done some great stuff here and now it's 70% of your revenues. Is it that you are running into challenges on very strong competition, big challenges on product development and innovation, is it that the pricing aggression from competitors is high, is it that the channels are difficult to build up, is it that the inventory management is posing challenges, where are the challenges from let us say at two, five, ten year perspective because I see them as also very-very high potential and a lot of good work to be done over the next maybe half a decade or a decade?

Chandru Kalro: These appliances are a much larger space to play, and they are far more fragmented you are aware of that. In non-stick cookware, actually we have even better market share than pressure cookers. Two are really two different things. There is a lot of headroom for us to grow in appliances, there is a lot more scope for innovation and therefore that's something that we have. See, there are very few brands that have done what Prestige has done. Prestige has made the transition from a non-electric player to an electric player. I don't think there is any



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company in this country which can say that with any degree of confidence. So, the challenges we have already overcome. Where it is to be overcome is in some categories like mixer grinder where there are very strong players whom we have to challenge as we go along, and we will do that with very strong innovative product offerings, and we believe the customer is always receptive in this category. And the category offers us that space. That has been the strategy I believe in the last so many years.

Moderator: Thank you. Ladies and gentlemen, as this was the last question for today, I would now like to hand the conference over to the management for closing comments.

Chandru Kalro: Thank you so much, ladies and gentlemen for very engrossing one hour. Yes, we have had a fantastic quarter and a very good year. And hopefully the unlock shall bring in new and buoyant market for us and we hope to continue to do as well as we have. We have all the other ingredients in place as we go forward to meet the growth challenge. Thank you very much again.

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