



“TTK Prestige Limited 2QFY21 Post Results
Conference Call”

November 10, 2020



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



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- Moderator:** Ladies and gentlemen, good day and welcome to TTK Prestige Limited 2QFY21 Post Results Conference Call hosted by Ambit Capital Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ 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 Mr. Jain.
- Dhruv Jain:** Thank you. Welcome to the 2QFY21 earnings conference call of TTK Prestige. We have with us the management of TTK Prestige represented by Mr. T. T. Jagannathan, the Chairman; Mr. Chandru Kalro, Managing Director; Mr. K. Shankaran, the Wholetime Director and Mr. R Saranyan, the CFO of the company. Thanks and over to you sir for your opening comments.
- Chandru Kalro:** Good afternoon. This is the 2Q conference for TTK Prestige. Regarding 2Q, we have had a very good second quarter. We bounced back from the lockdown; but we did not anticipate this, so we could have done much better if we had the stock or if our vendors had ramped up as quickly, but because of the lockdown, a lot of their labour force have gone away to the various states Bihar, Orissa and so on, so we could not ramp up quick enough, but we are happy with the result. I leave the floor open for questions.
- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Disha Sheth from Anvil. Please go ahead.
- Disha Sheth:** Sir, I just wanted to check, what is the outlook for cooker and cookware considering the environment?
- Chandru Kalro:** The cookware outlook is excellent, actually very good. The pressure cooker outlet also has improved dramatically since August and we are seeing double digit growth, in fact near 20% growth for the last 3 months and including October in the first month of the third quarter, so we are pretty buoyant about these two categories.
- Disha Sheth:** Sir, when you mention the 20% growth, you are saying about pressure cooker?
- Chandru Kalro:** Yes.
- Disha Sheth:** And cookware both?
- Chairman:** Cookware will probably be more than 20% if we can supply.
- Disha Sheth:** Sir, other supply issues solved better than Q2?



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- Chairman:** Yes, they are much better now, yes.
- Disha Sheth:** And sir, secondary, I just wanted to ask last two questions, what is the market share of us in pressure cooker and cookware?
- Chandru Kalro:** In pressure cooker, the market share in value terms are near 30% and in cookware we are over 35%.
- Disha Sheth:** And how much it was last year?
- Chandru Kalro:** Around similar range only.
- Disha Sheth:** And sir, in terms of steel pressure cooker, like from the pressure cooker sales, how much is steel products and how much is aluminum pressure cookers, is it 75-25 or?
- Chandru Kalro:** Around 70-30.
- Disha Sheth:** It will be 70-30?
- Chandru Kalro:** Yes.
- Disha Sheth:** In terms of competition, I am just trying to understand, is their mix around same 70-30 aluminum and steel cookware or pressure cooker or?
- Chandru Kalro:** I think our share of stainless steel would be higher.
- Moderator:** Thank you. The next question is from the line of Sameer Gupta from IIFL Securities. Please go ahead.
- Sameer Gupta:** I have a few questions, if I take on one at a time, sir so the supply chain issues that you have highlighted in your press release, could you elaborate a little more on these? Was this an industry-wide phenomena or it was specific to your own because sir, the peers in this field have seen pretty good growth this quarter, like Gandhimathi have seen 20% growth, Crompton and its appliance business have seen 30% growth, so just trying to understand this July decline for you?
- Chandru Kalro:** You know when we opened from the lockdown, obviously no one had an idea of how the demand was going to pan out and you know that in some cases, especially in the product that you just mentioned of Gandhimathi which mixer grinders and gas stoves. For us, they are outsourced out of vendors. Now, our vendors had lost their labour during the lockdown and we couldn't get them back because each of these places had very different quarantine rules and it was very difficult for them to get back the labour, it took good 2 or 3 months. Unlike that Gandhimathi for example has their own manufacturing on these products. So some of these



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problems came, so we by the time we actually stabilized well into the second quarter middle, that is where we were coming in and also the fact that the demand was far higher than what we are anticipating and therefore you are seeing this. That is why I am saying to you that you must look at the August to October period which has been very robust for us during this period and we are in the 20% level of growth after the things are stabilized.

Sameer Gupta: And this kind of a trend has not been visible in cookers is it, because cookers have actually seen a decline for the quarter despite this good growth, so is that similar problem you face in cookers also in July?

Chandru Kalro: Even the pressure cookers and I am talking about volume growth has been in the region of 20% during the period of August to October.

Sameer Gupta: Got it sir, that is very helpful, but what I was asking was in July the similar issue of labour was impacting our pressure cooker segment also?

Chandru Kalro: That is what I was about to tell you, we had to also realign our promotion. We have an exchange scheme which we had to realign to one month later because we had the lockdown and we locked the month of April. So it was also a promotion driven issue and that is why our growth started from August because things have to fall in place from that month onwards, so all got increased.

Sameer Gupta: And secondly, sir, this 20% kind of growth, how sustainable do you think are these demand trends? Is there an angle of pent up demand here or there is just because increased home cooking and demand for convenience product, will that offset or is it enough to offset because I am asking this is because even before COVID our growth was going in low-single digits and the overall macro in terms of purchasing power and income level that is only deteriorated because of COVID, so how do you see this demand trends is sustainable?

Chandru Kalro: For the short term, it does seem like it is going on well. I don't want to comment on what will happen in the medium and long term.

K. Shankaran: We are focusing on the next 2 quarters. On long term, once the economy improves we will know whether it will go back to the FY 18-19 levels or there will be further growth and all of us are keeping our fingers crossed on that.

Sameer Gupta: And one last question if I may squeeze in, this is particularly on the margin front sir and this quarter actually across players where there is a large unorganized component, we have seen a significant margin expansion driven by the lower trade discounts, cash discounts and all and we are not witnessing a similar kind of margin expansion in TTK and input cost, you can correct me if I am wrong, in general are on the benign side, so what is happening on margin side and any outlook you can share?



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Chandru Kalro: Listen, we were very clear that we were going to protect the interest of all our stakeholders in this system, so we have made no major reactions, no changes to our pricing policy, no changes to our advertising policy, we haven't saved advertising money to shore up margins, we haven't thrown out people to shore up margins, we have done things to keep things as stable as ever and I am sure our channel partners are appreciating the fact that we have not short changed anybody. In this entire process, even though we had a difficult time supply, we were being as fair as possible to all channels, so that we do not upset anybody. So we have looked for stability and sustainability larger than any short-term gain.

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

Achal Lohade: First my question was with respect to South versus non-South, if you could comment about the recovery part and specifically with respect to the cookware as in the rural growth?

Chandru Kalro: We are seeing that the South is relatively speaking at the lower growth than the non-South. That is one thing. Secondly, we are also seeing that relatively speaking the lower pop strata which is the Class-I town downwards, you are seeing a higher growth than your metros. So that is for sure. I think the rural market demand which is getting satisfied out of feeder towns, we are seeing a very positive development there also. Even from the online sales, we see that the smaller towns are showing a higher growth than the bigger towns. Those are the trends that we are seeing.

Achal Lohade: And any comment on the rural part for us in terms of the growth in absolute number like in terms of the mix, what is it and the status of the tie up with the MFIs?

Chandru Kalro: As you correctly said, the rural which I spoke to you was the non-MFI part of the business. The MFI part of the business was not active for most of the last quarter because they were raising for a moratorium to get listed before they could start their operations and remember that we were a piggyback product line for them. Their primary product line was to give loans for occasion. So that has now started and that is also looking good going forward into the Q3.

Achal Lohade: Would you be able to comment on what has been the mix from the MFI in second quarter or first half?

Chandru Kalro: It is negligible last quarter, virtually nothing, but the good thing is that it started happening, it started coming into being towards the end of the quarter.

Achal Lohade: October was robust?

Chandru Kalro: Yes.



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- Achal Lohade:** Sir, wanted to ask, sorry I am not harping about the same question, you said in the first quarter earnings call, you said July is looking good, so I was curious that August-September, we are talking about 20% growth, had July seen a double digit significant decline in the month of July?
- Chairman :** As was mentioned, our schemes are such that we rather came in July last year and we did not run that scheme in July this year, so there was a decline in July, but the same scheme we ran in August this year which showed a double digit growth.
- Achal Lohade:** Okay, that is to do with the base thing?
- Chairman:** That is correct.
- Achal Lohade:** And just last question if I may with respect to exports, the exports have seen a good number, so are things picking up, have you seen any new client addition and how do we look at the exports from, let us say, for next couple of year perspective?
- Chandru Kalro:** Unfortunately, for exports, our orders far exceeds our capacity and so whatever capacity we have, we are diverting to the domestic market, so we are putting exports on the backburner. Once we start building capacity, our exports could grow by double.
- Achal Lohade:** And by when do you think we will be able to add capacities in next...
- Chandru Kalro:** Hopefully by end of December, early January.
- Achal Lohade:** What is the current utilization, would you be able to comment on for cooker and appliances?
- Chandru Kalro:** Both 100%.
- Moderator:** Thank you very much. The next question is from the line of Manish Poddar from Nippon India. Please go ahead.
- Manish Poddar:** Just wanted to understand few things, so first was have you all taken any price increase during this quarter or let us say in the month of October?
- Chandru Kalro:** Not in the Q2, not in October, but yes, we have announced the price increase with November on some of our appliances.
- Manish Poddar:** So, would you be able to cost that out, how much of it on blended basis?
- Chandru Kalro:** On some of our products like mixer grinders and gas stove, the price increase is between 4.5 and 6%.



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- Manish Poddar:** And this sales pickup which we have seen in Q2, do you believe this is end-market retail sales or there was some amount of channel which was closed in Q1, so this is the normalization of inventory which has happened in Q2?
- Chairman:** No, all of it is in the retail sales.
- Manish Poddar:** And one final one if I can, how much is e-commerce contribution to our overall sales in Q2?
- Chairman:** 25%.
- Manish Poddar:** And just one option to that is that, do you see your category having material purchases during these events done by the online shares because traditionally your category has not been too online oriented, so I am just trying to understand, in this month of October, when the online shares are running a lot of sale days, does your category sees significant demand in those things?
- Chairman:** Yes, but we could not supply.
- Moderator:** Thank you. The next participant is Akshat Haria from Multi-Act. Please go ahead.
- Akshat Haria:** Sir, my question was that what percentage of our overall sales would be manufactured in-house and what would be outsourced? This I am asking with regards to because there is a very strong demand environment and in such case, may be the outsourced participants, the OEM, the contract manufacturers would be wanting to squeeze in some higher margins because of this high demand environment?
- Chairman:** Let me tell you our contractors or vendors are long-term vendors, they have been with us more than 10-15 years and they won't take one-time opportunity to squeeze us, they will not and they do not and your first question, how much is in-house, how much is outsourced about two-third, one-third.
- Akshat Haria:** So we are not seeing any pricing pressure over there?
- Chairman:** No, categorically no.
- Moderator:** Thank you very much. Next question is from the line of Nirav Vasa from Anand Rathi. Please go ahead.
- Nirav Vasa:** Sir, as I believe, we are feeding two new growth categories, that is cleaning solutions and premium products, so would it be possible for you to share some outlook across both these categories, especially the premium products and the third one I believe is going to be the dinnerware category, so how do you intend to expand these, I believe first two categories are



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already there in initial stages, but by what time do you see these three categories playing a meaningful role?

Chandru Kalro: If you look at the cleaning solutions, in fact irrespective of the lockdown, they are positive vis-à-vis last year and by substantial margin, so we are looking at some health-related hygiene-related products that were doing exceedingly well, for example, our fruit and vegetable cleaner and things like that. We have many new products in the pipeline in that area. The other side which you are talking about the premium products, I am not sure what you are referring to, I don't know where you are referring, so the prestige lifestyle store that we launched.

Nirav Vasa: Yes.

Chandru Kalro: That is still work in progress as we said to you, we have started off in Bangalore as a starting point and a test marketing point and you will see some activity happening around those products in the next couple of months and hopefully after 3 months of that activity we will be in a better position to answer that question as to how much that is going to give us in terms of contribution to overall sales. Coming to the last point on dinnerware, yes, we have launched stainless steel casseroles as a start point. Too early to say how much that will do, but it is a nice category for us. If that succeeds, then we have many other things in the pipeline based on the success of this category to actually come back. Again, we will require a couple of quarters to decide how this is because this is a sizable market, we would like to do it carefully.

Moderator: Thank you very much. The next question is from the line of Charanjeet Singh from DSP Mutual Fund. Please go ahead.

Charanjeet Singh: Sir, if you can give us some color in terms of what was the kind of market growth rate for the categories which we are in during this last quarter?

K. Shankaran: It is very difficult to predict, because the quarter just goy over, market growth rate we will get only after surveys are done, it will take about another 3 months or 4 months for us to get that data.

Charanjeet Singh: And sir, what we have seen is that across companies, companies have got this timeframe during the COVID on lockdown time, in terms of looking at the cost structures and may be taking some actions in terms of rationalizing that cost structure, be it ad spending moving to digital or rentals, so those kind of things, so have you done any kind of those kind of exercise while it is good to see that we maintained our level of operating levels what we wanted to do, but is there inward looking in terms of the cost which could have rationalized and then that benefit can come through?

Chandru Kalro: So there are two parts today, one is there have been several initiatives that we have undertaken in the company towards digitization, if I would like to use that word. This is towards many of our processes, for example, transacting with our channel partners, for example, doing travel



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when it is necessary, otherwise keeping the job going, etc. Our factories themselves have shown higher level of productivity in this last two months. There is a lot that we are doing in terms of moving advertising to digital because of the way the customer is also moving in that direction, but we have also decided to keep the main structure going until these things start bearing fruit because for us, in all these years, you will notice that we have had a very stable allocation to advertising and brand building which has done us good things in the past and unless these new initiatives start bearing fruit, we would not like to cut costs.

Charanjeet Singh: Sir, is that kind of a quantifiable number in terms of the share benefit we can gain from this cost rationalization? Is there a targeted..?

Chandru Kalro: We can't give you that number now, we need those initiatives to bear fruit first.

Let me put it differently, we do not take short-term cost cuts; that is very dangerous for the long-term growth of the company. With the digitization efforts we are able to improve the efficiencies and to improve the market access.

Charanjeet Singh: Sir, on the supply chain part, now at what level of supply chain in terms of our vendors, they are at and do we foresee or are we trying to have kind of a multiple vendors or sourcing alternatively, are we working on that to some extent?

We told the market that we will stop import from China in this second quarter and that added a double revenue to us, because as it is the production with vendors was low and then we stopped from China, so we had to make that up. It is true that we did have shortages in the second quarter, but that has improved fairly dramatically now, we are back to where we were.

Charanjeet Singh: Just on the MFI channel, do we think that the normalization can start coming from Q3?

Chandru Kalro Yes, it has started already.

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

Bhavin Vithlani: I have a couple of question, first on the growth rate, it will be useful if you could break up month wise and what was the growth in the exact month of the quarter, you did mention that the growth in the last 3 months is about 20%?

Chandru Kalro: If we are looking at August, we were about 20%. If you are looking at, we were at what much more than that. I don't have exactly the month wise, but August and September put together was 23%, October last year was the Diwali month, it was the highest month ever. On that, we have grown by 15%. Cumulative, August, September, October is at about 20%.



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- Bhavin Vithlani:** And any color on the performance of the newly launched Svachh branch, what percentage of the total portfolio it is now and how are you seeing the growth rate because of this new introduction that we have seen?
- Chandru Kalro:** 95% of our sales of pressure cookers currently in the Svachh platform, the 5% is there because if there is any old stock left over, we probably are clearing that stock, but this platform has met with very good success, we have used this platform as a distribution enhancer in the non-South markets, in some of our relatively weaker geographies. It added several new towns in a big way, we have done specific promotions to add 2000 plus outlets in the last single one quarter and we are looking at our all-time high inner lid cooker sales in October, so we are looking at a very good situation here and going forward we think it will continue that well.
- Moderator:** Thank you very much. The next question is from the line of Devang Patel from NAFA Asset Management. Please go ahead.
- Devang Patel:** Sir, my question was on receivables, did you have any problem in collecting money from debtors because the debtors have gone up even though our Q1 sales was not that great?
- Chairman:** The debtors have come down dramatically from about 48 days to 35 days,. The absolute number would be high because our August-September sales were very high, but in terms of the aging of the receivable, it is probably at its best in the last 5 years, 35 days which is brilliant. We have had no problems at all in collection, we have been very robust.
- Moderator:** Thank you very much. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Would it be useful if you could give more color on the appliances segment, the growth within the categories and how do you see over the next one year?
- Chandru Kalro:** I would suggest, we wait for a quarter before we can put any color on these things. We can tell you that all our core categories are growing extremely well in the trade and in our channel partners and it has been a very good situation. How that is going to keep continuing, I think we need one more quarter for that.
- Bhavin Vithlani:** But for the quarter gone by if you could give us some color on the growth in the mixer grinder?
- Chandru Kalro:** So for example on the mixer grinder, we have grown in operational channels,; but overall we have not grown because we had a certain proportion of the direct rural channel which did not work this year. We also had certain large-format sales last year, which was not there this year, but if you look at our general trade sales, we have grown by 45% in mixer grinder, we have grown by high double digits in



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gas stoves. So if you are looking at some of the other products like induction cooktop, we have grown at 47% this year. If you are looking at kettles, which almost doubled, how this will sustain, I don't know honestly.

Moderator: Thank you very much. Next question is from the line of Srinath V from Bellwether. Please go ahead.

Srinath V: Just wanted to understand the role of online going forward and what are our market shares in the e-com segment versus general trade, so just wanted your views on that, sir?

Chandru Kalro: Sure, we believe that the consumer has gravitated towards online after the COVID issue and I think that trend is going to continue. You are looking at the more and more people shopping online and going outside less and less. Having said that, I think we continue to be leaders in the online platform as well, largely delivering our offline market share on that side.

Srinath V: So we do our similar market shares both in online and offline?

Chandru Kalro: Yes, and you would know that one of the early people of the plant to have e-com fulfilment centers, we have five of them across the country, so we have invested quite substantially in the online business.

Srinath V: Sir, also wanted to understand the unorganized to organized shift given the kind of difficulties in many categories on unorganized sector spaced, as the festive season kicks in, this is the peak shopping season in South, so just wanted to understand are you seeing the re-emergence or some of these factories reopening or have they not come back to the market after leaving the market in April, May, June?

Chandru Kalro: No, they have started coming back, many of them have started advertising as well as you might be probably seeing, but I think in the minds of the consumer, I think it is way beyond just price today. The lockdown told them that buying a good brand gives them the assurance of good after sales service. So I think over a period of time, there would be gain of brands, not just TTK Prestige, but good brands in this post-pandemic world.

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

Achal Lohade: Just wanted to understand in terms of the supply disruption, do you have any estimate as to how much sales would have lost in second quarter?

Chairman As of September, we had demand to the tune of Rs.70 crores which we could not fulfill.

Achal Lohade: So is it fair to say that the sales have not really lost permanently, but just the?



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- Chandru Kalro:** Most of that sales will not happen because for example, if there were orders online during the sale day, that sale has gone.
- Achal Lohade:** And any particular categories where we had supply disruption which was major one or it was across the board in appliances?
- Chairman:** No, largest in cookware.
- Achal Lohade:** Cookware, I was under the impression that most of that is in-house production?
- Chairman:** It is all in-house production, yes, but there is a huge shortage. We have a capacity to produce 4 lakh pieces per month. Last year, we sold about 35 lakhs which is roughly 3 lakhs per month, now the demand is 6 lakhs per month.
- Chandru Kalro:** Let me tell you this way that even the export orders that multiplied during this period and we had a huge demand situation in India as well and therefore all of this coming together put huge pressure. Luckily for us, we had large opening stock, so we managed for some time, but towards the end of the quarter, we obviously couldn't handle that kind of demand. We have sold a highest ever sales of cookware in this quarter. We crossed more than 2 million pieces actually, but yes, we could have sold even more.
- Achal Lohade:** Back in that more on the short capacity I would say, but like you said supply disruption, I imagine that is for the vendors?
- Chairman:** One second, if not just short supply for example I need handles which I don't make in-house, I need my handle supplier to give me handles, I need glass lid. Now those are down streams suppliers who weren't necessarily at their full capacity because they have lost their labour. That is what we were trying to tell you.
- Achal Lohade:** Sir, vendors for our raw material or consumer goods as well as the finished goods?
- Chandru Kalro:** Yes, exactly.
- Achal Lohade:** Sir, would that be the case even for the competition or wasn't that the case as such?
- Chandru Kalro:** I think you should ask the competition.
- Achal Lohade:** In terms of the CAPEX, what is the number we are looking at for FY21-22 broadly and how do we plan to deploy our cash flows even the significant cash we have in the balance sheet?



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- Chairman:** First, we will be spending about 50 crores in terms of CAPEX for 2021. We are looking at acquisitions. As we are holding highest cash that we have just declared an additional dividend today.
- Achal Lohade:** And just one more comment, if you would also comment on Horwood where are we in terms of the recovery, I know the numbers are positive for the quarter, but we have seen that the base has been fairly weak for a while now, so how do you look at that acquisition?
- Chairman:** They were doing brilliantly this year and then COVID happened, so they have gone into the second lockdown in return for a month, so we will have to wait and see how this pans out, but they are doing very well compared to last year.
- Chandru Kalro:** I think more than anything else, I think that company has completely transformed itself in terms of its online presence, for example it has actually set up a very good online marketing and sales setup which is why the company is doing exceedingly well at this point in time in England.
- Achal Lohade:** Any target you could talk about like what kind of revenues or something you could look at?
- Chandru Kalro:** Second lockdown has completely removed any guidance prospect from our side on that front over there.
- Moderator:** Thank you very much. The next question is from the line of Disha Sheth from Anvil Shares and Stock. Please go ahead.
- Disha Sheth:** Sir, I wanted to ask the September of this sales were up 23%, sir I was not understanding why our sales are up only 22% because July was down, double digit and what is the reason, I was not getting?
- Chandru Kalro:** Okay, let me try and explain that again. We normally have a major trade promotion as a follow-up to the first quarter sales in July every year. This year, we lost the month of April and half of May, so that trade promotion was not run in July, it was announced well in advance that it would-be run-in August, so therefore the sales shifted from July to August. That is why I am telling you this period of August, September, October, so it was primarily because we had to replace the trade promotion because the last one month in the first quarter and we have to also organize the supply chain to meet that payment. We needed that time.
- Disha Sheth:** So it was almost nil to negative sales for July, that is why the whole thing?
- Chandru Kalro:** There was no nil to negative, I can put it another way for you. If you add July plus August of last year and compare the July plus August of this year, it was exactly on path.



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- Disha Sheth:** It was exactly on path, okay, I got it sir.
- Chandru Kalro:** I can give some more light on that.
- Disha Sheth:** Okay and this is across all your segments, like cooker, cookware and appliances?
- Chandru Kalro:** As we told you, the pressure cooker charge started in August and from then on, the pressure cookers have also grown. So if you do the July plus August, it will be on path, if you take August September, October, we are going for (+7%) growth.
- Disha Sheth:** What you said is pressure cooker demand was low in July or is the same promotion thing for July?
- Chandru Kalro:** Same promotion thing.
- Moderator:** Thank you very much. Next question is from the line of Janaki Raman from Franklin Templeton Investments. Please go ahead.
- Janaki Raman:** To the August and September where you mentioned that the sales was quite robust for you, is there any way for you to tell us whether the secondary sales were also as good as the sales that you had?
- Chandru Kalro:** Yes, the secondary sales was quite robust, the pipeline has not been overloaded, we are seeing secondaries and tertiaries because we are seeing sustained demand in October which we have felt and we are seeing sustained demand for November as well, so it is not as if we have been loading the pipeline.
- Chairman:** And remember that online goes straight to this consumer.
- Janaki Raman:** Correct. Of course, there will not be any inventory buildup in online and since you mentioned this order book that you had some order book entering into the October month also, so typically how does it work? Do your dealers actually place an order with you at the beginning of the month?
- Chairman:** They place an order with us whenever they want to place an order with us. We accumulate those orders and keep supplying and month end some order will not be supplied.
- Janaki Raman:** So this is a rolling kind of an order book?
- Chairman:** Yes, it is not one-time, it is once a month only we take orders.
- Chandru Kalro:** Let me try and explain that. What chairman told you was that there was a fill rate that was less than 100% and those orders, some of them came back in October, some of them were new



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orders in October, some of them were lost orders. This is something that happens on a regular basis. The point he was trying to make that if we had more inventory, we probably would have been doing even better than what we have declared

Janaki Raman: And since you also mentioned that the demand momentum has continued in the December quarter also, now have you built up your supply adequately to cater to this demand?

Chandru Kalro: Yes, but adequately is difficult to define. We have built up our supplies to meet what we think is demand, but if the demand outfits that, we still won't.

Janaki Raman: Because some of the statistics that you threw as against 3 lakhs per month of cookware last year, so this year you said just in one quarter, we have done 20 lakhs, these are like very impressive number, what is leading to this kind of sharp increase in demand?

Chairman: Your guess is as good as mine. Everybody says it is because people are working from home, they are cooking more at home, they are not going out to eat, first they want better products in the kitchen that is what they are saying.

Chandru Kalro: Let me tell you, cookware, especially nonstick cookware demand increasing is not just an India phenomenon, what we are seeing is a worldwide phenomenon.

Janaki Raman: And just one specific question sir, actually personally felt this experience, there seems to be some meaningful price difference between some of your popular products online and offline channels, what is your philosophy is on pricing on these channels, do you follow some differential price and how do you manage this challenge pricing conflicts?

Chandru Kalro: Our attempt is to keep the constant pricing across channels, though is a very utopian desire. What we do tell on our channel partners is that this is a kind of pricing we recommend you to sell to the retailer, but by law, you know they are free to sell at whatever prices. The second thing is as far as online is concerned, sometimes you might find a price that is cheaper because they want to burn money on that month or we would have given them an exclusive offering which is not there offline. Similarly, we give exclusive offerings to offline which is not there online to ensure that they retained their competitive edge.

Janaki Raman: So the price that which the online merchant decides to sell the stock that was not under your control, is it?

Chandru Kalro: No, it is not under anybody's control. You are not allowed to control that by law.

Janaki Raman: Suppose I buy a Prestige cooker online on Amazon, will the invoice be on the name of Prestige or Amazon?



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- Chairman:** Amazon, who is the seller on the market place. You will not get an invoice from Amazon; you will get an invoice from the seller on that marketplace on Amazon. That seller could be getting it and giving to another seller, etc.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Just two questions, we saw drop in the gross margins, any reason if you could attribute, is it mix change or is it certain pricing pressure that you are facing because of increased raw material prices?
- Chairman:** No, it is mix change and channel change. Different channels give us different margins, so if online presence is growing faster, our margin will be marginally smaller and this is happening. Some product will make less, some product will make more, so the product mix is different, we will also get low margin, but our margin never changes.
- Chandru Kalro:** You would have also seen that our EBITDA is very stable comparing with last year Q2,
- Bhavin Vithlani:** Would it be possible to share the mix that you have been sharing normally between the channel this quarter versus last quarter?
- Chandru Kalro:** I suggest we leave that out. We have told you already online is between 24 and 25%, now we have also told you that the large format did not pick up till the second half of the quarter really. Let me also tell you that our general trade is rock steady stable at the same contribution as what we have shared earlier and so is the case with PXL you can join the dots after that.
- Bhavin Vithlani:** And how much CSD, any change in the mix from that?
- Chandru Kalro:** It has gone down, because there has been an active effort by the canteen store department to actually limit customers due to COVID in the canteens and that is changing in the Q3, so we are seeing a positive outlook for Q3.
- Moderator:** Thank you very much. Ladies and gentlemen, that was the last question for today. As there were no further questions, I will now hand the conference over to the management for closing remarks.
- Chandru Kalro:** We have had a very good quarter when we began by saying and we are looking at that very positive outlook, continue all the ways to October and even till today and we are hoping that the same continues till the end of this Q3. The festival sales, because Diwali has been delayed has been quite good for us. Overall demand has been good, the channels have been quite



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positive and most of the channels are now active, so things are looking quite positive and we hope to come back with good results in Q3 as well. Thank you very much.

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