



“TTK Prestige Limited 4QFY20 Post Results Analyst  
Conference Call”

**June 25, 2020**



**MANAGEMENT:** **MR. T. T. JAGANNATHAN – CHAIRMAN, TTK  
PRESTIGE LIMITED**  
**MR. CHANDRU KALRO – MANAGING DIRECTOR, TTK  
PRESTIGE LIMITED**  
**MR. K. SHANKARAN – DIRECTOR (CORPORATE  
AFFAIRS), TTK PRESTIGE LIMITED**  
**MR. V. SUNDARESAN – CHIEF FINANCIAL OFFICER,  
TTK PRESTIGE LIMITED**

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



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**Moderator:** Ladies and gentlemen, good day and welcome to the TTK Prestige Limited 4QFY20 Post Results Analyst Conference Call hosted by Ambit Capital. As a reminder, all participants' 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 the conference is being recorded. I now hand the conference over to Mr. Ashish Kanodia from Ambit Capital. Thank you. And over to you, sir.

**Ashish Kanodia:** Thank you, Lizan. Good afternoon, ladies and gentlemen. On behalf of Ambit Capital, we welcome you all to the 4QFY20 Earnings Call of TTK Prestige Limited.

We have with us Mr. TT Jagannathan -- Chairman; Mr. Chandru Kalro -- Managing Director; Mr. K. Shankaran -- Director, Corporate Affairs; and Mr. V. Sundaresan -- Chief Financial Officer of the company. Now, I would like to hand over the call to the management for their opening comments, post which we can take the floor open for question-and-answer. Thank you, and over to you, sir.

**Chandru Kalro:** Good afternoon and welcome to all of you and thank you for being here. Well, the 4Q was different like for most companies, thanks to the lockdown and the Covid situation and we unfortunately ended up losing quite a bit of revenue over the last month because of the last 10-days which are very crucial for most companies especially in durables and therefore you would have seen that there is a drop in the top line. And this was particularly unfortunate because we had launched a whole slew of new products for the quarter, we were hoping to do quite well during the quarter.

Moving forward, we are looking at things quite positively. The company is well placed in spite of all the problems. We continue to have enough cash to sustain the business. And after the lockdown has opened, we are seeing a renewed interest in the kitchen and therefore the retail has been pretty solid wherever the markets have opened. So, we are looking at the business a little more optimistically and we now leave the floor open for questions.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Avi Mehta from IIFL. Please go ahead.

**Avi Mehta:** Sir, I had a few questions: One was in the exit run rate especially in terms of sales. Now you had said that June till date was flattish, but I wanted to understand the exit run rate because there could possibly have been pent up demand if you could kind of comment on that? And any category specific comments that you could share?

**Chandru Kalro:** See, wherever the markets have opened, thanks to the lockdown, you know that people have been cooking only at home largely without domestic help and therefore the kitchen has been a large focus during the period of the lockdown. We have launched a large "Exchange"



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promotion as you know probably by now to help people change their old products which are tired to new ones and we are seeing a very good response to that. And a lot of convenience products which are now required where people need to work without maids and domestic help are now being sold very well. We are seeing a renewed interest in even the cookware business. So as market has opened, we are looking at sales going up and then coming down slightly after the pent up demand is satisfied, but even the steady state demand seems to be quite good.

**Avi Mehta:** How does this compare to pre-Covid levels?

**TT Jagannathan:** In our own store, the sale is higher than pre-Covid level; it is about 10% higher.

**Avi Mehta:** But, sir, for the remaining part of the business on an overall, would you be able to share any number?

**TT Jagannathan:** We are not able to estimate that because one day one market is open, another day another market is open, this market is closed, that market is open. So how do you estimate that?

**Avi Mehta:** Sir, any category-specific thing? You said cookware for example was doing well. Is this steady state healthy across the board or is there any specific categories to call out?

**Chandru Kalro:** Across the board we are seeing a renewed interest in brand. People now want to buy a good brand which is supported by good after-sales service and they have understood that it is better to pay a little premium for that and actually buy those products. They are also buying largely products which can help them save time and convenience because if you see, there are a lot of people working from home these days and therefore time is an even more premium now because they are working and cooking.

**Avi Mehta:** Sir, the second bit was on the fixed cost saving measures. If you could kind of share that? How are we looking at capex given our target focus on ROCE?

**TT Jagannathan:** We have got enough capacity for what we require for this year. So the capex should largely be maintenance capex. We have paid all our staff 100% during the lockdown.

**Chandru Kalro:** I will try to supplement that. We have not laid off any person like the chairman just said to you. But what we are doing is a whole lot of digitization initiatives across the company to make us more efficient and more cost-efficient particularly. So a lot of processes that include sales processes, that include normal communication, that include HR processes and all that are now getting digitized and of course more efficient in terms of costs. We are looking at a benign commodity situation luckily for us even now and we are in the process of even relooking that and seeing if there are any possibilities there.

**TT Jagannathan:** Going forward, we are very positive. So there is no need to reduce fixed costs.



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- Avi Mehta:** Maintenance CAPEX what is the number that it typically is on an annual basis?
- TT Jagannathan:** Rs.30 crores which is less than depreciation.
- Moderator:** Thank you. The next question is from the line of Mayank Bhandari from B&K Securities. Please go ahead.
- Mayank Bhandari:** Sir, I wanted to know what was our direct rural sales in FY'20?
- Chandru Kalro:** Direct rural sales was about Rs.115 crores in FY 19 and about Rs.80 crores in FY 20
- Mayank Bhandari:** Within Appliances category, can you just give how different categories have done like Kitchen Appliances, Cleaning Solutions in terms of mixer grinder?
- TT Jagannathan:** The director's report's extract will give you all those details.
- Mayank Bhandari:** In terms of liquidity conditions, you highlighted that there is some stress in general trade as well as in the modern format. So can you give some color around this like how is the liquidity conditions stressful for general trade and for both modern format?
- Chandru Kalro:** So the way things are panning out are that we are not in a mood to take any risk unless we see the money coming in for the past receivables. And we are being very careful and very conservative on that. The general trade is paying us. We are able to get the money. The collections have been healthy as soon as the markets have opened. The modern trade of course has not even opened up as you know and the malls have not opened up and many other things have not opened up. So there we are stuck and that part of the market is not really operational.
- Mayank Bhandari:** Particularly in the last three months, how is the eCommerce contributed to your overall sales? It is like about 16%, 17% of your total sales. Has it increased significantly?
- Chandru Kalro:** It has significantly increased in contribution to the total because as I told you the large formats have not yet opened and also people are not wanting to come out and shop if they can avoid it. So the eCommerce sales is as we speak, in June has more than doubled of what it was last year for the same month.
- Moderator:** Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.
- Prashant Kutty:** I just missed out a comment if you made anything on how have the demand trends been once the lockdown has opened up? So, if you could just give us some sense in terms of how has May and June been in terms of activity?



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- Chandru Kalro:** May as you know has opened partially and even continuing in June wherever the markets have opened, the demand for Kitchen Appliances has been very robust. In fact, markets have seen a pent up demand and so there is an initial spike that is coming down slightly to a level which is probably even better than what it was last year. The reason why we are not seeing an overall sale that is better than last year is because many parts of the markets are closed, many channels are still not opened up. But where they are opening, we are seeing a very renewed interest in Kitchen Appliance and the sales are very good.
- Prashant Kutty:** Any number to quote, for example, what would be May or June versus last year?
- TT Jagannathan:** In fact, June up to now is about 10% ahead of last year.
- Prashant Kutty:** Second question is on the alternative channels which you just said that many channels are closed as well. How is the eCom channel performing? How much was eCom for us in 2020? And what is the outlook for eCom business in 2021?
- Chandru Kalro:** So the eCom business was between 12% and 14% last year in FY'20. The eCom business that we are seeing in June compared to the June of last year is probably more than double as we speak.
- Prashant Kutty:** This is one of the big drivers for us actually?
- Chandru Kalro:** Yes, considering the fact that large formats are closed and people do not want to come out and shop, they are preferring to shop online.
- TT Jagannathan:** Remember that half the market is still closed and we are still doing better than last year, thanks to eCommerce.
- Mayank Bhandari:** Also, are there any trends like which of the markets which are opened up and doing well, any sense on that?
- TT Jagannathan:** Karnataka for instance has opened up fully and doing brilliantly and Kerala is doing well, parts of Andhra is doing well. East is not doing well; first, of course was COVID and then Amphan and then Maharashtra is not doing so well, Delhi is also not doing so well, parts of Uttar Pradesh also not doing well.
- Prashant Kutty:** You said direct rural has been about Rs.115 crores . Again, we have been hearing the rural demand has been better in the last two months. Is there a similar kind of commentary which you are also getting? How would have rural in the last two months?
- TT Jagannathan:** You see, our rural is divided into two parts. One is what we sell in the tertiary towns, the other is through MFI. MFI sales is zero because of the government moratorium they are not able to



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lend on the appliances. But, we are not able to measure how much of the tier-4 sales is rural. What we gave you the number Rs.115 crores in FY 19 was purely through MFIs.

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

**Achal Lohade:** So, with respect to the rural, earlier you had indicated that we are trying to set up new distribution so to say. So, one is the MFI and there have been some change in that as you said. So the rejig is over? And b), if there is any alternate rural distribution channel we are setting up?

**TT Jagannathan:** Actually, we recouped 100% of our distribution by end of last year and then the COVID came at the bottom dropped out. With the Reserve Bank saying moratorium on all loans, the MFIs are not able to give loans to buy appliances. So, currently nothing is happening with MFI. We believe it will revive in July.

**Achal Lohade:** I am trying to understand the sales mix in terms of the channel mix. So you have talked about eCom being 12-14%...

**Chandru Kalro:** I will tell you the whole thing. You do not have to deduce it. The GT accounts for about 50% of our sale. The large format account for about 15%, 18% from PXLs. eCom account between 12% and 14% of our sales. The rest is institution.

**TT Jagannathan:** That is last year.

**Chandru Kalro:** The rural business last year was about Rs.80 crores through the MFI channel.

**Achal Lohade:** My other question was with respect to the new categories. Now would it be possible to talk about like what you had indicated about Svachh range of cookers. So could you highlight some of these which could have come in last two, three months, have we done anything or are we planning anything in next one or two quarters?

**Chandru Kalro:** So what we have done end of Q3 last year and Q4 of last year was to transform our entire range of pressure cookers to move on to the Svachh platform which meant that literally about 200 SKUs have been transformed into being in the Svachh platform. The idea is that we are now tackling a huge problem in the kitchen which was never tackled before and this provides a solution. We believe that this is going to stand in very good as we go along in this coming year. Apart from that we have got a stew of new products this year in all product categories and most of them we want to make sure that we put into the market in the first half of this year.

**Achal Lohade:** With respect to sourcing, at an aggregate company level, how much is in-house and how much is outsourced?



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- TT Jagannathan:** It is about 50:50.
- Achal Lohade:** Would it be possible to highlight what we are hearing about imports from China substitution, so a), what is the mix from China in terms of the imports? And b), is there any work we have already initiated with respect to import substitution?
- Chandru Kalro:** So we embarked on a journey of reducing dependence on China five years ago when the first skirmish in Doklam happened, just for so you know. So from then to now, we have constantly indigenized and moved to India sourcing and actually brought it down to a level which is between 10% and 11%. After the current situation has happened, we are very clear, we are now fast-tracking that India sourcing in fact by putting pressure on ourselves, we are actually putting a hard stop as of September. After September, you will not find TTK Prestige import anything from China. Everything will come from India. And we are not expecting it to impact our supply chain or our ability to do the business for this current year it will not impact us.
- Achal Lohade:** Any impact on the margins on account of this?
- Chandru Kalro:** No.
- Moderator:** Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.
- Arnab Mitra:** The first question was on the competitive intensity where in the past few quarters, you have seen some intensity from lower cost price players. Now post the lockdown opening, has that intensity reduced, how is the kind of promotional intensity in the market in May and June?
- Chandru Kalro:** I do not think any of our competitors are as well placed as us in the first place, both in terms of our cash position and our brand and our ability to promote, channel diversity etc., You will find that at this moment, we are probably the only brand which is advertising aggressively in all print and TV medium in the industry. And we believe that this is the time we can actually garner share because of our superior position in the market. Added to that, we are as I said keeping our new product pipeline fully activated and you will see a lot of new products coming in the next three, four months.
- Arnab Mitra:** Second question was obviously eCommerce has now become much bigger and it is now a very sizable channel for you. So, in terms of market share, how do you do in eCommerce versus overall all India shares? In general is competitive intensity, pricing margins better off or worse off from the overall business that you have?
- Chandru Kalro:** So in the eCom platforms, we are clear leader which are being confirmed by both the two major platforms in the country because we have had our annual business plans with them. The pricing pressures are not there because our realizations are roughly the same as what we get





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from our large format business. We are not expecting this to negatively impact our margin. In fact if anything because of our ability to come out with exclusives and we have been early adopters and first of the class in doing everything that is eCommerce-friendly. We today have four warehouses across the country which are fulfillment centers for eCommerce. We are expanding that. And as we speak, we are the preferred partner for these two platforms. So the share if anything would be better on the eCommerce platform.

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

**Bhavin Vithlani:** If you could help us with the market share in cooker and cookware? Last time you mentioned cooker market share in fiscal '19 was 36% on value and in the cookware our market share was 38%. So would appreciate what would be these updated numbers?

**Chandru Kalro:** It is in the similar lines as we speak. Also, we have not got our latest estimates that have come. Probably next quarter, we will be able to answer that question better. Also remember, what is happening in this market share estimate, the market share agency is covering large formats and GT, they do not cover our own PXL, they do not cover eCommerce, rural, etc.. So the numbers we give you are on that basis. And I do not think our shares have gone up or gone down too much because we have just come out of the lockdown.

**Bhavin Vithlani:** But for the year fiscal '20, as a whole, would we have gained market share or retained market share?

**Chandru Kalro:** We would have probably retained market share.

**Bhavin Vithlani:** If you could help us with the breakup of the Appliances segment in terms of gas stoves, mixer grinders, induction cook tops, rice cookers?

**Chandru Kalro:** If you look at the extracts from director's report, the breakup is given there. We have given you an abstract of that which carry those numbers.

**Bhavin Vithlani:** I will look into it. Just a question again on the Appliances segment. When we look at last 10-years, the growth has been pretty exemplary around 23%, 24%. In your view over the next three to four years, taking a slightly longer-term picture and just taking out the current uncertain period, what in your view is the growth rate that you could achieve in the Appliances segment? If you could give some softer aspects on the color in terms of new categories that you are adding, some newer product or innovation, something that you have spoken about in your press release?

**Chandru Kalro:** So, in the Appliances, we are continuing to grow in double-digit. This year, you please keep it as an aberration because we really do not know how to look at this year until it evolves. But I



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think we are in a good position to continue with that double-digit growth as we speak. Our innovation pipeline is full. We are coming out with exciting new products in all our core categories...when I say core categories with appliances, there are gas stoves, mixer grinders, small appliances, which are convenience appliances, rice cookers and even in chimneys, etc., So that new product introduction need is going to be maintained and we believe our growth rate will be maintained.

**Bhavin Vithlani:** You had started with the new initiatives on the luxury side of Chimneys and Cooktops where we are starting with exclusive stores. If you could throw more light?

**Chandru Kalro:** We have just introduced this new store format called "Prestige Lifestyle", which we are focusing for this financial year only in the city of Bangalore... we picked Bangalore because a), we are located here and Bangalore is probably one of the most cosmopolitan cities in the country. The kind of products that you will see in these stores, you will not see in our regular stores. So, you will see a huge range of chimneys. We have got a new range of built-in appliances like ovens, etc., We have even got a countertop dishwasher there. All our exclusive products, like for example we launched a grain grinder, which is countertop grain grinder which you will see there. It is called lifestyle because we want this to address people who have a better lifestyle at home and who believe their kitchens are probably the most important room in the house. So, as we go along, we will then expand the footprint of these lifestyle stores from next financial year onwards.

**Moderator:** Thank you. The next question is from the line of Chirag Lodaya from Valuequest. Please go ahead.

**Chirag Lodaya:** So in last few quarters we are focusing on broad-basing our modern trade large format store part of the business. So this full year if you can help us understand what is the contribution towards the major customer versus others, so how broad basing has happened this year?

**Chandru Kalro:** So what we meant by saying broad-basing was we were having one very large customer and the other were reasonably okay. Now, that kind of dependence has been reduced last year. And as we go along, that is something that we will do, make sure that we are not dependent on any one single customer too much. As you probably already know, there is a churn in the large format area, the modern format area and we also have to wait for that to pan out before we can say anything more on this.

**Chirag Lodaya:** Secondly, sir, when it comes to rural sales, our dependence on MFI channel is pretty high today. And currently with this COVID, this channel has impacted the most. So, are you planning to build any alternate channel in this area or MFI will be only the channel to get us through this demand?



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- Chandru Kalro:** As our chairman said, the rural is split into two large parts -- One is directly through the MFI. There is a substantial sale that happens through our Tier-4 towns which are bigger towns into rural areas. Now, we cannot tell you how much is going into rural because we cannot measure it. Clearly, our distribution, expansion plan towards that end of the market is very aggressive this year given the fact that there is so much reverse migration that has happened in the last one month. And also the fact that the onset of the monsoon has been bang on time, we believe the rural demand will be quite robust. So, our effort is to make sure that the tier-4 towns, our distribution is further strengthened, our products are reaching there in a better way and also we are trying to promote in those areas.
- Chirag Lodaya:** One small clarification. So as chairman said, overall demand in June is 10% higher to pre-COVID level, it is for a company level or areas which are open?
- Chandru Kalro:** It is for the areas and channels which are open.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir, in one of your answers that you gave to a participant on a five-year growth where you mentioned that Appliances will grow double-digit and you mentioned Gas Stoves also in it. So just my question is on gas stoves and cooker side. These both categories are largely penetrated and there was a big growth also in one of the categories driven by the Ujjwala Bharat Scheme. Despite that do you see a double-digit growth rate in these two categories or is it fair to assume that here these two categories should be a low single-digit and largely replacement demand-led?
- Chandru Kalro:** No, the gas stoves that we addressed too are the replacement demand. We are not in the entry level gas stoves at all, just to clarify.
- TT Jagannathan:** We do not supply Ujjwala.
- Pritesh Chheda:** Yes, I know you do not supply to Ujjwala. So here the demand has to be largely single-digit and since it is entirely replacement and a fully penetrated product or do you still think it can be a double-digit growth and if it is a double-digit, what are the drivers to it?
- Chandru Kalro:** The drivers are the new products that we are bringing.
- TT Jagannathan:** It is not fully penetrated if you look at the kind of products we are bringing in. We are bringing in superior products, products with innovation. So, people will throw away their old gas stoves and buy ours.
- Pritesh Chheda:** Same logic you ascribe in Cookers?



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- TT Jagannathan:** Cookers is the first platform. Yes, the same logic.
- Pritesh Chheda:** But Cookers for you has grown at single-digit for the last one, two, three, four, five, six years?
- TT Jagannathan:** For the last ten years. Because it is a fully penetrated market in the urban areas. Two things have changed -- One, our new Svachh platform will increase our market share fairly dramatically. Two, because of the Ujjwala Scheme, the rural areas have now started taking Cookers.
- Pritesh Chheda:** On the Cookware and Kitchen Electric Appliances. Even in your call, you have commented on people staying at home, looking at kitchens, altering the kitchen, figuring out, the postponed purchases are being done now. So do you think that probably these two areas which is kitchen electric appliances and cookware might actually grow faster despite this one, one and a half, two months disruption might actually grow faster than what it has grown in the recent past?
- Chandru Kalro:** The initial things that we are seeing in the retail is trending towards what you are saying. But I think we should wait for some time before we can say for sure.
- Pritesh Chheda:** On the gross margin side directionally a combination of more localization in India plus low material cost and a combination of your product mix, where do you see directionally the gross margins improving, reducing or stable?
- Chandru Kalro:** We see them as stable. We are not looking at anything going down. And I do not think there will be any dramatic up. Remember, the commodity prices have benign even last year.
- Pritesh Chheda:** Any extraordinary ad spends that you have proposed for FY'21 considering you are first off the block as a brand to engage with customers, so there if you have any comment as a percentage of sales or absolute?
- Chandru Kalro:** Nothing extraordinary. We are doing as we would do in a normal year given the fact that we are in a position to spend. And also after we have seen the demand we believe it is worth spending at this stage to garner share.
- Pritesh Chheda:** Where are we on our two ambitions on Cleaning and Water Purifiers? There we had this large ambition of revenue size.
- Chandru Kalro:** I am glad you asked that question. The Cleaning we are not able to supply enough. The reason is because people have now been without domestic help at home. So our mops are doing extremely well. Our Water Purifiers are doing extremely well, so are the bottles and other things that we are doing there and the vacuum cleaners have been a revelation actually... we are just not able to supply enough. As I said, it is too early to take a long-term view on that.



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We are daily sitting and staring at a new situation. At this moment, yes, these categories are doing brilliantly.

**Moderator:** Thank you. The next question is from the line of Shreyas Bhukhanwala from Canara Robeco Mutual Fund. Please go ahead.

**Shreyas Bhukhanwala:** So, what would be our broad plant utilization level in June?

**Chandru Kalro:** Plant utilization is between 50% and 70%, depending on which plant it is. We have five sites and we are largely governed by what the local government allows us to do in terms of number of workers we can get in and the kind of shift we can operate. All five sites are operational.

**Moderator:** Thank you. The next question is from the line of Bharat Chhoda from ICICI Direct. Please go ahead.

**Bharat Chhoda:** Sir, how much do we import from China?

**Chandru Kalro:** The Chinese imports account for between 10% and 11% last year of our top line. And I think you must have heard me say this, after September we will put a hard stop to it and we are moving aggressively everything back to India.

**Bharat Chhoda:** But sir, just wanted to look at a broader perspective, like probably is there an opportunity for Indian players to scale up and become a sourcing destination in our segment of products?

**TT Jagannathan:** Very unlikely. The scale of the Chinese are... you take a company called Galanz. They make Microwave Cookers. They produce 5 million cookers a year. The total sale in India is 300,000.

**Bharat Chhoda:** We said that the online business is doing well. So probably in that how is the margin profile and working capital scenario over there?

**Chandru Kalro:** At EBITDA level, there is not much difference. Realizations are similar to our modern format realization.

**Bharat Chhoda:** And the working capital over there?

**Chandru Kalro:** Again, similar to the modern format.

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

**Mayank Bhandari:** Sir, particularly in Q4 gross margin has been really good while the sales has declined by about 14%. So, what would you attribute to this?



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- Chandru Kalro:** It is a the product mix, the channel mix, it is a host of things. We are largely stable in terms of gross margin this year, I mean, it is up and down within 100 basis points you will see any year.
- Mayank Bhandari:** Within the same product mix, you believe that the sale of Pressure Cooker has resulted in better realization in Q4?
- TT Jagannathan:** No, we have not priced it more than our own cookers. Same pricing.
- Mayank Bhandari:** This would be a sustainable margin like?
- Chandru Kalro:** Yes.
- Moderator:** Thank you. The next question is from the line of Rachna Prasad from Millennium. Please go ahead.
- Rachna Prasad:** This is Rachna Prasad from Millennium Mams Organization, Kolkata. My question is that last year your export figure was Rs.51 crores and you have a vision of increasing it to Rs.500 crores. So what is the vision behind this and what countries you are exporting and are you thinking of exporting the cleaning solutions?
- TT Jagannathan:** First, we have got the capacities are available for export in all our product lines. Second, we have worked very hard over the last 10-years to acquire new customers. That has succeeded. We now have some great new customers. So, our export sales from last year to this year will double. And we expect to keep that way till we get Rs.500 crores. And third and most importantly, we have acquired the company "Horwood" to make sure that we export to Europe to our own brands. So combined these three strategies will get us Rs.500 crores.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Sir, going by the current run rate, would you believe that you would be able to maintain the current level of sales which you reported in fiscal year '20 & fiscal '21?
- Chandru Kalro:** We have lost about 1.5 months. That is something that we have to first make up for. We believe that if market opens quickly, that is a possibility. But if markets are in to the lockdown again, like it is happening, that looks difficult. We have to wait for some time before we have a stable situation. The thing is, we can tell you what is happening right now. What is happening right now is, in the markets which are opened, in the channels which are opened, we are doing better than last year.
- Bhavin Vithlani:** On the ad spend, we had some bit of acceleration as we had launched Svachh brand sometime in Jan. Would you believe that given that there was a lockdown for a brief period, some part of



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it has had to be reemphasized and that may entail slightly higher expenditure on the ad front in the current financial year?

**Chandru Kalro:** Absolutely, you are right, I mean, with the lockdown, we have kind of gone back. So you would have seen that we have already restarted the campaign on Svachh. It is a national and nationally digital campaign, which we have unleashed because we want to emphasize that aside of the fact that we have also launched the "Exchange Scheme" which I spoke about. But having said all that, we are looking at advertising spend being roughly similar percentages to last year to our revenues.

**Bhavin Vithlani:** On a capital expenditure, you mentioned current year would be just barely maintenance CAPEX, but on a sustainable basis, how should one think about capital expenditure given that we had a target of Rs.5,000 crores in five years?

**Chandru Kalro:** On CAPEX like chairman said, we have currently got adequate capacity to service export orders to that level. We have to then take it to the next level only after we cross those lines. While we are speaking, we are also doing several initiatives to make sure we do automation to make sure productivity goes up from the existing lines also. So, that is the way the CAPEX is being used. We are not seeing too much expenditure in the coming one or two years.

**Bhavin Vithlani:** Havells has actually now started with an omnichannel where they have through digitally combined the offline and online channel members. Are we also looking at similar so that the friction between the offline and online channel is smoothened out?

**Chandru Kalro:** We have done several initiatives in that area. In fact, as we speak, there is a pilot omnichannel hyper local delivery model which is being experimented in Bangalore. We will have more to report to you next quarter I think when we have a little more work done on this. But yes, we are very actively working on developing that omnichannel capability very soon.

**Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

**Pritesh Chheda:** To one of the participants, you replied that Q4 gross margin which is slightly higher than what is the annual margin for you, that margin is sustainable is what you replied?

**Chandru Kalro:** The annual margin is sustainable is what I replied.

**Pritesh Chheda:** Just one observation; there is an equity increase between the two years which is last year and this year. It is to do with any ESOF conversion or anything?

**TT Jagannathan:** No, it includes bonus shares.



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**Moderator:** Thank you. The next question is from the line of Jaykant Kasturi from Way2Wealth Securities. Please go ahead.

**Jaykant Kasturi:** Sir, as you said, your factories are working at around 50% to 70% of capacity utilization. Sir, I wanted to understand in terms of your labor availability, are they all locally available or it is like some of them have migrated or some kind of reverse migration is happening?

**Chandru Kalro:** Very little has happened in terms of reverse migration. Nothing of material nature. So, we do not have any labor issues or getting manpower back into our factories. Most of our labors are in and around the site.

**Moderator:** Thank you. The next question is from the line of Solani Omkar from Millinnum. Please go ahead.

**Solani Omkar:** Which will be contributing more to this doubling of turnover like Kitchen Appliances or the Pressure Cooker? or if you can throw some light on doubling the turnover by 2024?

**Chandru Kalro:** So the idea was now that 2024, we have to push a little bit because of this COVID year. But largely, the plan was made on the basis of a faster growth in Appliances because the market sizes are bigger for many of those categories, and we were also expecting to grow in Cookers and Cookware. Now if you take Cookware, we had a very large portfolio in Non-Stick, we are now building a very large portfolio in Stainless Steel. If you are looking at Pressure Cookers, we have already spoken about what we have done in terms of the Svachh Pressure Cookers. We are looking at hopefully getting market share gain in that. And the Appliances are a big field, we would like to grow there in double-digits as I told.

**Solani Omkar:** How is this Ujjwala Scheme make you penetrate the rural market?

**Chandru Kalro:** The Ujjwala Scheme has largely penetrated the urban poor and the rural market. So what we are seeing, like our chairman told you, these markets are right for getting in Pressure Cookers and other kitchen gadgets inside, the moment the gas stove gets in aside of the fact that within a few years they will come up for replacement.

**Moderator:** Thank you. The next question is from the line of Rashmi Chawla from Millennium. Please go ahead.

**Rashmi Chawla:** Sir, this is continuing the question about the rural area. You have 10 SKUs in rural areas whereas there are 700 SKUs in urban areas. So sir, how do you see you are expanding these SKUs in rural areas too?

**Chandru Kalro:** Because the idea was to first check the waters there and idea was to give them products that are more functionally relevant to them. Remember, the rural people are not necessarily buying the





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cheaper products. They are buying what is required by them for functional use. And as that kitchen evolves over a period of time, we will get in more products. The supply chain has been kept extremely light so that we can reach products correctly there and also service them.

**Rashmi Chawla:** We will see more SKUs in rural areas now?

**Chandru Kalro:** You will see that happening over a period of time, but it will take time.

**Moderator:** Thank you. The next question is from the line of Rita Tahilramani from Invesco. Please go ahead.

**Rita Tahilramani:** Sir, just harping on the question earlier in terms of doubling of revenue for the next five years, if we see the last five years CAGR for this company has been purely to the extent of 7%, 8% kind of growth. And for doubling I think we would require to grow at say 15% kind of a number. Because if you understand the core category being your Cooker and the Cookware grow at 6%, 7% kind of a number CAGR also. So the Kitchen Appliances will it grow at a higher growth rate, #1 or will you look at acquisition or a completely new product category for achieving this target?

**TT Jagannathan:** The doubling includes a large proportion of increase in export, increase in Cleaning Solutions which is a new category and the increase in the market. We are not looking at just doubling the market. All of it put together will double the company's turnover.

**Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

**Chandru Kalro:** Again, thank you very much for taking the interest and time. We at TTK Prestige are extremely optimistic about our future. We believe that we are in a better position than most of our peer group to address the market. The market itself is evolving every day. We do not know how this COVID crisis is going to pan out. But from whatever has happened in the market that has opened and the channels that have opened, we are seeing very encouraging signs which gives us a very good view for the year. How this pans out? We will have to still see. Thank you once again for being with the call.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.