



“TTK Prestige Limited 2QFY24-25 Earnings Conference Call”

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MODERATOR: MR. YASH JAIN – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to TTK Prestige Limited Q2 FY24-25 Earnings Conference Call hosted by Ambit Capital.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please press “*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

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

Yash Jain: Thank you. Hello everyone. Welcome to TTK Prestige 2QFY25 Earnings Call.

From the Management side today, we have Mr. Venkatesh Vijayaraghavan – Managing Director & CEO; Mr. Shankaran – Advisor to the Board and Mr. Saranyan – Wholetime Director & CFO.

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

R. Saranyan: Good evening, this is Saranyan here. Welcome you all for the Q2 Earnings Call of TTK Prestige.

Before I hand over the proceedings to our Managing Director – Mr. Venkatesh, I just want to remind the participants that today's discussions may contain certain statements which are futuristic in nature. Such statements represent the intentions of the Management and the efforts being put in by them to realize certain goals. The success in realizing these goals depends on various factors, both internal and external. Therefore, the investors are requested to make their own independent judgment by considering all relevant factors before taking any investment decision.

Thank you. I hand over the proceedings to Mr. Venkatesh for his “Opening Remarks”.

V. Vijayaraghavan: Good evening and welcome to this call.

While we look at the performance of the company and the industry, I think our view of the economy is quite robust and we see a lot of positive offshoots coming in from an Indian economy perspective. Despite issues around the global turbulence and other geopolitical tensions around, we do believe that the economy is on a robust platform and that is sort of also reflecting in some of the numbers at a macro level.

From our business perspective, if you were to look at, some of the global tensions sort of reflecting in our business impacting us in terms of container availability and in terms of some of the freight rates related, which has some bearing on our exports business, which we would talk about as we move. Overall, the economy seems to be robust, and we do believe that it's a good positive sign for us as we move in the direction of growth for the industry as well. Closer home, from an industry perspective, we believe after a long period of time, the industry is starting to bounce back again. Our categories and our core categories have started to see good growth coming in particularly on the retail environment and this sort of gives us confidence that the overall direction in which the categories are moving are in the right direction.

Our trade channels have done very well compared to the last 2 quarters and this is complemented by our growth coming in from e-commerce and modern format stores. We do have specific issues around the rural channel which in this category is sort of finding a little bit of struggle given some of the model changes that's happening and some of the economy related issues on the rural demand as well. On the commodity side, there is a surge that you've seen in terms of our prices. While it's being managed from the quarter perspective, we do believe that this probably would have an impact as we move forward. This level of increased commodity pricing is expected to be there across the year. And that's something that we would factor in as we move forward.

Our export orders are robust. There's been delay in shipment because of freight related challenges given the global tensions. But our belief is that as we move forward, we would look at a robust export growth. And some of our shipments have got deferred to the second half of the year.

Overall, our outlook from the channel's perspective is quite good. We do believe that we're moving into a phase of good growth. And as we move forward, this would sort of help us drive growth much more faster and ahead as we move forward. That would be my opening remarks, and I think we're quite confident as we move forward that we would continue to keep the path of growth. We have also sort of looked at some of our investments to be made in a few areas of improvement and that is work in progress as we move forward. Some of them would reflect as we move in the quarters coming by. So overall, a confident position, and we do believe that we are in the right place and position, and we would take this forward as we move.

K Shankaran: we can proceed with the questions and answers.

- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Resha Mehta from GreenEdge Wealth. Please go ahead.
- Resha Mehta:** So the first question is on the consultant. So we have engaged a consultant. So if it would be possible to elaborate on, what were the observations, corrective measures, gaps etc. that have been recommended and what we have chalked out as a plan. And also related question that what would be the recurring cost for the consultant each quarter going forward and till what time would we incur such a cost? That's the first question.
- V. Vijayaraghavan:** So, while we will come back on the specifics, at this point of time, what we have done is to take an as is stock of where we stand and some of the opportunities and efficiencies that we would be able to unlock as we move forward. The consultant has actually done the first phase of the work and they have come back with their recommendations to us. That is getting internally evaluated and as we move forward, we will take appropriate steps in that direction, including sort of looking at the boundaries of operations with the consultant and the related costs as well. But at this point of time, I think the first part of the exercise has given us quite a visible set of opportunities that we would like to work around our core and therefore be able to bring in efficiencies as we move both in terms of topline growth and in terms of some of the related efficiencies that we can bring in. Specifics to the costing, probably we would not at this point of time be able to talk about it. And over a period of time as relevant, we will sort of talk about it later.
- Resha Mehta:** Any specific findings or anything that you can elaborate from the consultant's recommendations?
- V. Vijayaraghavan:** No we will come back on that. Maybe at an appropriate time, we will come back on that.
- Resha Mehta:** Alright. The second question is basically on the channel. So you've called out that institutional channel is seeing some headwind for, has been seeing some headwind for quite some time. So what exactly is the issue there? And also on the Prestige Exclusive stores, if I see the closing as on this current September quarter is similar to what was there as on March quarter. So there's like a reduction of almost 40 stores. So are we seeing any kind of mass closures here or any kind of stress on the Prestige Exclusive store format? So that's the second one.
- R. Saranyan:** Yes, Saranyan here, I will answer the second question first. This is on the exclusive stores. Yes, there were. See, what we have done is we have rationalized the stores to

ensure that where the Partners are not doing well, we have closed down in those markets. We have filled up that gap with the other distribution process. So that's why you see a reduction. But going forward, we keep adding as we move forward, depending on which market it is required and where exactly those stores are required, we keep adding it up. Over to you, Venky, on the other points.

V. Vijayaraghavan: So some of these do not have a visible barring on the topline, but it is more about rationalization that has been required at this point of time and that's been done in the Prestige Exclusive Chain as we look at. From a channel perspective, like we said, one of the very positive signs that we see is that the overall traditional channel, which includes general trade, exclusive stores, e-commerce and modern trade are doing well. While we see a little bit of pressure on the general trade channel because of the e-commerce scale up and modern trade scale up that's happening. As a combined bucket, we do see that there's a significant growth that has happened and that would probably continue as we move forward. However, unique to the current situation has been the rural channel and the institutional channel. These have been some structural related challenges at the market level, not from Prestige perspective or not specific to TTK Prestige, but at a market level. And TTK Prestige being a very dominant player in this segment, we have sort of seen this impact on our topline. These are some structural changes that have happened combined with weak demand from these markets. So to that extent, I think this is something that would be transitory in nature, but we would have to address it as we go.

Resha Mehta: So just a follow up here, if I may. So when you say institutional channel, you're meaning the CSD channel or the corporate sales channel. And also on the Prestige exclusive store, so broadly the major part of store rationalization exercise has been done or it's still underway?

V. Vijayaraghavan: It's done. It is more or less done. This was work in progress that's got finally sort of consolidated right now. It's largely done. And you will therefore see that as we move forward, the expansion plans would be visible. We are rapidly expanding new stores in specific targeted geographies and that would reflect as we move forward. And as I said, the barring of this at this point of time is very little from a topline perspective, but the expansions will continuously keep adding to the kitty. On the institutional channel, yes, that includes the CSD channel as well.

Resha Mehta: And even the corporate sales channel?

- V. Vijayaraghavan:** Corporate sales channel, we're not seeing too much of a problem. It is more of the CSD channel and the rural channel that we are seeing this sort of a channel challenge that's happening right now.
- Moderator:** Thank you very much. The next question is from the line of Hitesh from Kosha Capital. Please go ahead.
- Hitesh:** Sir, could you share how have been the demand trends this festive season and also if you can dissect this demand between say the mass premium segment and the premium segment. Mass premium means products priced at a higher price point, how the demand has been in both these segments if you can elaborate there and also how much of the festive season sales are already reflected in Q2 numbers or is it in Q3 that we will get to see the festive season numbers?
- V. Vijayaraghavan:** Some part of the season sales would be felt in this quarter as well in Q3 partially, but a major portion has already been reflected in the quarter 2 as we speak. So to the question of where is the growth happening, we are seeing the growth happen at the mass end, which is reflected in terms of the insights coming in from E-com channels as well as the other, where we are seeing growth coming in from tier 2, tier 3 expansions that are happening. We are also seeing growth coming in from the premium end. We are not exposed directly to the super premium end, but our belief is that the super-premium end is offering us the growth opportunity as we move forward. From TTK Prestige perspective, across the three segments of premium, mass premium, and mass, we believe there are enough growth opportunities that are there and that's getting addressed as we speak. Rural, there has been a weak demand, and that is sort of reflecting in the rural channels that we have seen. But otherwise, from a mass market perspective, the mass premium/premium perspective, the growth rate in our views is robust. Like I said, after a long period of time, the categories are coming back to a growth phase right now.
- Hitesh:** And so how has been the implementation of BIS in the appliances side because growth that we see is quite subdued and how is the industry gearing up for this whole transition to this BIS?
- V. Vijayaraghavan:** Yes, so BIS implementation would largely impact the flexibility of having new products coming from exports perspective which is from other countries that they get imported. There is a progress in implementation of this across multiple categories, and that I think is a short-term challenge. But from our perspective, we will say that over the last few years, we have been consistently working on that with our vendor partners.

We are better positioned to handle this challenge as we move forward. The subdued performance that you see is also partially due to the reflection of the rural channel. Appliances overall is growing well in the trade channels as we mentioned. So going forward, I think we do see that happen. BIS and the implementation of BIS long term in our view is good. It ensures that there are certain quality parameters that come into the industry. From our perspective, we are better equipped to handle it given that we have our vendor partners also doing this for us for the last 3-4 years now.

Hitesh: Sure. And just a last thing because as you mentioned that the traditional channel continues to do well, we had a 12% kind of growth. But if you look at the overall number, it's still lower than the FY22 number that we had, at least on the domestic side. Now, if we do a like-to-like basis for the same traditional channel, how has it been vis-à-vis FY22? Is there a growth or is there a negative growth there too?

V. Vijayaraghavan: There is a growth.

Moderator: Thank you very much. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Sir given there is an early festive this year and we had a base of minus 15%, how do you look at this Q2 performance? Optically, it should have been a good growth because it's an early festive and the base is also favorable. Secondly, the industry is bouncing back. So what kind of growth are you targeting in second half of FY25?

V. Vijayaraghavan: I wouldn't be able to give you a direct number on that, but like I said I think our outlook is quite positive given the way we have been sort of looking at some of the channel performances and others, right. The overhand of rural continues and that would be a challenge as we move forward but we would definitely look at a good growth as we move. Specifics, I wouldn't be able to sort of work out right now.

K Shankaran: And on festive thing if you look at the Diwali has come in the last week of October, so the festive demand, festive filling of the stores has happened in the second fortnight of September and the whole of October. So October it looks very robust.

Moderator: Thank you very much. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Just a follow-up. Sir, you mentioned that rural is facing an issue, but most of the companies till this quarter have specifically mentioned as to the problem being urban India and rural is actually coming back very strongly. So just wanted to understand, is

it a specific geography issue in rural that you are facing or a little bit more color here would be helpful.

V. Vijayaraghavan: So I think it's backed by two parts. There is a demand challenge in rural in our view, and also there is a channel related structural issue that is being sort of addressed at this point of time. So a combination of channel and a combination of weak demand in rural is in our view creating this issue as we speak or the challenges we speak. We are not too sure that there is a robust rural demand which we are not witnessing at this point of time.

Sameer Gupta: The structural challenge is basically the MFI channel you're saying?

V. Vijayaraghavan: Yes. Both CSD and MFI have got some structural challenges which is internal to them and that is sort of reflecting in our performance right now.

Sameer Gupta: Got it, and it's not very geography specific as to it's only a south-related problem. It is across the board and rural that you're facing an issue.

V. Vijayaraghavan: This is across. The channel is more dominant in non-south, but this is across.

Moderator: Thank you very much. The next question is from the line of Resha Mehta from GreenEdge Wealth. Please go ahead.

Resha Mehta: So just on this BIS bit, if we could elaborate on how well the overall industry is prepared to handle this transition. And do you see that as a distinct advantage for players like us and are we prepared for this transition? So if we could just share some granular details on this would be very helpful.

K Shankaran: So we are not dependent on the imports so much. So we are built an indigenous structure and we are able to meet the BIS standards for all the appliances which we sell in India.

Resha Mehta: Okay, and how about the industry at large, the unorganized players or the very small regional brands?

K Shankaran I cannot answer about other companies.

V. Vijayaraghavan: Directionally, that would be a challenge given the dependency that some of the competitive other companies would sort of depend upon. I think over the last 3-4 years, we have invested steadily in our domestic capabilities, particularly in the appliance

side that we hope will help us in good steps as we move forward. In the short term, there will be transitionary pressures on new product development and new product launches. But I think as we move forward, that's a good sign. And we are better poised to take advantage of that.

Resha Mehta: Right, and on the China bit, right? So of course, I recall post-COVID, we had greatly reduced the dependency on China. But overall at an import level, would it be possible to quantify that what is the China sourcing? Maybe we don't do it directly, but via our vendors, possible to give some color here, yours is not an exact quantification.

V. Vijayaraghavan: The reality is that there are some core parts that still get imported from China, the domestic capability to do them is not there in appliances, that part of it, including the challenge of BIS is getting addressed. So I think as we move forward, that is something that will get addressed. But from some of the vendors of ours importing some critical parts that is still work in progress as we speak, but that's an area of focus that we have taken upon us to ensure that that does not sort of derail us as we move forward.

Resha Mehta: So can you just elaborate on, you know, which are these small kitchen appliances, what parts exactly, motors, etc., something, some color here would help.

V. Vijayaraghavan: Not in this forum.

Moderator: Thank you very much. Since there are no more questions from the participants, I now hand the conference over to the management for closing comments.

V. Vijayaraghavan: So first of all, our wishes for the festive season and a Happy Diwali to all of us. I thank you for having taken the time to be on this call. And as we said, I think we do look at positive options coming in terms of category, some of our performances as well. And we're quite confident as we move forward, we will continue to do well as we have done in the past. And once again, Diwali wishes from our side. Thank you.

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