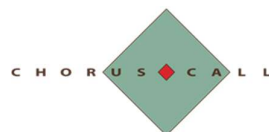




“TTK Prestige Limited
3QFY24-25 Earnings Conference Call”
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MODERATOR: **MR. YASH JAIN – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to TTK Prestige Limited 3QFY24-25 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 signal an operator by pressing star then zero on your touchtone phone. Please note that this conference call 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, Yusuf. Hello, everyone. Welcome to TTK Prestige 3QFY25 Earnings Call. From the management side today, we have Mr. Venkatesh Vijayaraghavan, Managing Director and CEO; Mr. Shankaran, Advisor to the Board; and Mr. Saranyan Rajagopalan, Whole Time Director and CFO. Thank you, and over to you, sir, for your opening remarks.

Saranyan Rajagopalan: Good evening and welcome everyone for the earnings call of TTK Prestige. This is Saranyan here. Before I hand over the proceedings to our Managing Director, Mr. Venkatesh, I just want to remind the participants of the safe harbor clause. The discussion today may contain certain statements, which are futuristic in nature. Such statements represent the intentions of the management and 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 judgments by considering all relevant factors before taking any investment decision. Over to you, Venkatesh.

Venkatesh V: Good afternoon, everybody. I thank you for having attended this call. The quarter has been sort of a muted quarter for us at a broad level, from an industry perspective, post a significant growth that the industry did see during the festive season, we've seen a little bit of muted quarter.

The urban market seems to be sort of stable in the demand. While we do see that from a rural perspective the demand is sort of a little subdued and there are specific channels in the rural markets which have got sort of not leveraged this year, leading to a little bit more slow growth in the rural markets as well. Overall, we do see that the business is stable and a lot more robustness coming into the fold as we move forward.

Specific to the quarter, there has been a sort of a lull as I mentioned because of a poor season demand that has not been in line with what we had sort of expected. But we do believe that as we move forward the consumption should pick up and that should be reasonably well placed for us as we move forward.

From an overall perspective, we do see robust demand in the urban markets. The rural market challenge in terms of overall consumption as well as in terms of some of the channels continue to be a challenge. That would probably be a little bit of a long-term problem that we face and we do believe that it requires a little bit of structural correction as it moves forward.

With that, I would probably leave it for questions to be opened. We are quite confident and we are quite happy about the way some of our internal metrics are working, including market share

gains that we have seen in our core categories, movement of some of our channel based growth. We are seeing robust growth in e-commerce, large format stores also in terms of our own retail stores as well.

So we do believe that as we move forward, as the demand picks up further, we should see considerable growth as we move subject to, of course, the structural challenge that we've had with the rural market. But we do believe that as we move forward in the next couple of quarters, this should be sort of helping us grow in a robust manner. With that, I'll probably open up the conversation and take it forward from there.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Firstly, sir, you've called out the impact of the MFI channel, INR32 crores in third quarter and INR93 in 9 months. Now this is something that has impacted the previous quarters also. And the overall growth for us has seen a deceleration, used to running in low single-digit growth. This quarter is a 3% decline.

So MFI alone or rural alone doesn't explain this moderation, right? So can you help us explain, are there any other factors because again demand slowdown was something which was continuing. MFI channel weakness was continuing. So is there something on this, sir?

Venkatesh V: No. So like I said I think this is specific to the quarter. It is because of a realignment in terms of the post-festive season demand. If you were to look at the full year, or if you were to look at YTD, we are reasonably placed in the non-MFI channels, and we do see volume growth happening in those channels.

Specific to Q3, the slow growth has been essentially on account of the demand tapering that happened post-festive season and that we believe is more of a correction that's happening between Q2 fulfilment and Q3 fulfilment. Q3 the MFI channel has been a continuing factor for the last three quarters. This quarter compared to the previous quarter, we've seen a drop in demand post the festive season and that is the reason why you will see the Q3 numbers muted as far as the overall is concerned. Underlying concern of the MFI channel has been there for the last three quarters.

Sameer Gupta: Got it, sir. So if like going from 1Q onwards of FY '26, this will be in the base and our growth, at least if it doesn't come back, even then our growth should be what it is currently tracking with the non-MFI channel. Would that be a correct understanding?

Venkatesh V: Yes. That's a fair assumption, yes.

Sameer Gupta: Got it. Sir, second question is on the gross margin. So you have mentioned marginal price increases due to commodity price inflation. And despite that we have seen a 150 basis point gross margin expansion this quarter. Last quarter was flattish. So again, just trying to understand the major driver here?

- Venkatesh V:** See, so this is on account of a delayed price impact that we do believe will start hitting the market as we move into the next quarter. Some of the price corrections taken by the industry, by us over the past few months will sort of move in, depending on the inventory movement.
- The margin is a reflection of our subsequent cost management that we've been able to do, both at the raw material level as well as in terms of our overall costing. So therefore, you would look at better margins for the quarter.
- Sameer Gupta:** Got it. So this thing is sustainable going forward?
- Venkatesh V:** Yes, this is sustainable going forward. Having said that, I would like to bring to notice that we see pressures of swing in prices happening with aluminium prices, which is still there. The pressure is still there. We've been able to manage it a little more better in our forward planning. But overall, there is a little bit of pressure on the raw material pricing that continues to be existing.
- Sameer Gupta:** Do you anticipate more price hikes?
- Venkatesh V:** As we speak no. Price hike is something that from a market perspective given that we've already taken one price hike last quarter, the impact of this will be felt as we move forward. Depending on requirement we'll take that call as we move forward.
- Sameer Gupta:** Got it, sir. Last question, if I may squeeze in. This INR13.5 crores other expenses towards consultancy, I think I recall this that this was for 6 months. So this is the last quarter of these expenses or do we expect some of this to recur going forward also?
- Venkatesh V:** Right now this is a onetime arrangement. We will come back if there is specific arrangement that out there. This is pertaining to the 6-month window that you had mentioned.
- Sameer Gupta:** Got it. So we don't expect anything for fourth quarter onwards till now, I mean things can change, but till now there is nothing. Got it sir. I will come back in the queue for any follow up. Thank you.
- Moderator:** Thank you. Next question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.
- Priyank Chheda:** Yes. So in last quarter or a few quarters ago, we had laid down clear priorities with respect to first penetration. So if you can highlight what has been the growth in the non-South market, that is, one, first priority. Second, on new product development if you can further highlight what has been the growth contribution from NPD. And third was digitization. So we are planning across various sales channels to be digitized. So where are we on these three priorities?
- Venkatesh V:** On the digitization front, we have moved very aggressively on the sales front. There are two fronts. One in terms of digitizing the complete finance related transactions between our distributors and the primary company. Second is also in terms of enabling our sales force at the ground level to be able to service the orders as well.

So I think we've very aggressively moved on that and that's giving us benefits of complete visibility of the reach that we have today in general trade channel and also in terms of being able to understand the consumer trends as well. So I think digitalization progress, I'm quite happy with the progress being made and we do believe they will help us in terms of productivity as we move forward.

Venkatesh V:

Like we had mentioned in the previous query as well, I think our overall growth outside of the MFI channels are reasonably strong enough. And one of the reasons for that is the NPD launches that we've done. We've introduced around 53 SKUs during the quarter. We've also sort of rejigged our portfolio products in cookware and in appliances.

We have turned all the gaps that we had in cookware earlier. So a combination of all of this is actually helping us grow faster overall in the general trade as well as in the e-commerce stores, large-format stores channel. So I think that strategy in my mind is work in progress, but it is getting executed very rapidly. We've been able to therefore expand the new product portfolio significantly as well.

As far as the non-South is concerned, while I don't want to come back with specific numbers. I am quite happy and we are confident that some of the initiatives that are being unleashed in the market are yielding initial results seems to be good. This is one initiative that probably will take some more time before we have to really start to come back with a concrete number, but I do believe that some of the initiatives that we have launched, we are confident that we're able to get back strongly in these markets.

At an overall level, we are also happy that some of our categories, we've been able to sustainably increase our market shares as well. So I think, overall, moving in the right direction. It would be the point of view that I would place there.

Priyank Chheda:

Sorry. Would you be able to call out which categories where you have gained market share in traditional channel?

Venkatesh V:

Both in cookers and cookware, we are sort of gaining while these numbers are through syndicated researchers comments. We do believe that we've sort of improved our market share in cookers and cookware.

Priyank Chheda:

Got it. And this includes a question that I have which is the Judge brand. Clearly, the strategy that the company is laying down is reflecting in double-digit growth even in Q3. So now the question is that is this a market compulsion or is this a strategic thought that TTK has thought to play in this mass market?

Because it's kind of -- we have a larger portfolio in the mass premium. And now we are getting full -- we are putting down double energy into mass market. So broadly what would be the strategic thoughts in that and is the market share gains coming out because of this?

Venkatesh V:

It is very clearly a structured call that we are taking to address some of these opportunities that we believe can be addressed through the mass brand without cannibalizing the mother brand.

And that I think is a strategy that worked in multiple categories and we do believe we would be able to sort of execute it in this category as well.

So far we've been able to see reasonable success. I think there's a lot more work needs to be done on that. From a market share perspective, this is a little too small in nature right now to impact the overall market share, but it's in the right direction. So the market share gains are a combination of both Prestige as a brand as well as the sub-brand strategy that we have played around.

The overall trust on the mass brand will continue to be there as we focus. We are working on sharp shooting some of the efforts in some geographies, so that we're able to scale it faster.

Priyank Chheda: And Judge has now reached to what percentage of TTK distribution channel, sir?

Venkatesh V: No, like I said, it is still in very rudimentary stages. It has been in select geographies, doing well. It has been on a pilot mode in our view. I think it will take us a couple of quarters before we come back with specific numbers on that. But suffice to say that we're quite happy with the progress and the response that we are seeing.

Priyank Chheda: Perfect. And just last question from my side on the cooker segment seems that even 9 months, the category growth itself is a problem or is it a problem of certain new launches needs to be focused? What's the core rectification that are required in this category or in this segment for TTK or for industry would be helpful?

Venkatesh V: So cooker category, our belief is that it runs on the twin engine of premiumization in the urban market and a little bit of push that is required in the mass market beyond the Tier 2, Tier 3 towns. So we do believe that the cooker category is under strip also for the fact that the category is well penetrated today.

So I think the cooker category is something that we would lead the industry. And we do believe that there are opportunities both around the premiumization as well as in terms of some of the market specific introductions that we need to do further down the strata in terms of Tier 2 to Tier 3 towns as well. Compared to the other categories. cooker category, yes definitely needs a little bit of a slightly different approach when compared to what is happening today.

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

Aniruddha Joshi: Sir, just wanted to understand how does the MFI channel essentially works for us means in a way it's a very small product, be it a cooker or a cookware, etcetera. So how does the channel work means, whether the company sales in rural channels and then consumers use the MFI funding or in a way buying the product or how does the channel work. That is question number one?

And then question number two, if you can give more color on the way, the impact that we are seeing in a way East, West, North, South which segment is doing -- which region is in a way

performing a bit poorly or in a way in terms of metros and rural markets and then urban -- sorry, in rural markets which are the regions are, again, doing good and relatively poorly? Yes. That's my question.

Venkatesh V: Yes. So MFI channel is part of a channel partnership where they reach the consumers and they deliver loans to consumers and they can reach the consumer through the MFI channel. So it's sort of a distribution channel that we have used. In a way, it's a B2B channel that sort of help us reach out to the rural markets or the deep rural markets. They facilitate the reach combined with the financial loans that they give. That's an arrangement that we have with them. It's a pure distribution arrangement that we have with them. They facilitate our reach.

Aniruddha Joshi: In terms of region we sell to these MFI agents and then they, in a way, sell it to the consumers. Is that a correct understanding?

Venkatesh V: Yes, they facilitate the distribution for us.

Aniruddha Joshi: Okay. So that means if the MFI channel, the MFI funding route is, in a way, impacted right now, so that impact would be largely at the agent level or in a way at the consumer level also?

Venkatesh V: So as far as we are concerned, we are not looking at it from a consumer perspective. The MFI channels were working with us in a partnership. Due to reasons of their own internal constraints today, they are not working with us. So that is impacting us as a channel. So it is in no way a reflection of the rural market or anything. It is more to do with a choice that the channels have made not to work with us due to their internal constraints.

Aniruddha Joshi: Okay. So sir, is this a structural issue or do you see the agents again coming back in, let's say FY26

Venkatesh V: We see this as a structural issue. It was an opportunity that sort of got utilized, but we do believe that this is a current scenario. This is a structural issue and may or may not be scalable as we move into it.

Aniruddha Joshi: Oh, okay. Sure, sir. Understood, understood. Yes, sorry, on the next question, you were speaking.

Venkatesh V: No. Specific to regions I think we're uniformly seeing it across. We would probably call out a little bit of East. East is a little bit lower on the growth rate when compared to the rest of the country.

Aniruddha Joshi: Okay. Sir, in terms of metros, urban markets, rural markets which regions are doing relatively better and relatively poorer?

Venkatesh V: No, which is what I said. If I were to look at it from a regions perspective, we are seeing quite a spread of growth across the markets in the Tier 1 in the metro towns. It is uniformly across South, West and North. East is one area that we can probably call out from a geography perspective.

Overall, from Tier 2, Tier 3 towns, we are seeing robust growth now happening which is reflecting also with the sub-brand growth also facilitated by e-commerce. So we do see growth in the Tier 2, Tier 3 towns.

Aniruddha Joshi: Okay sure, sir. Thank you.

Moderator: Thank you. Next question is from the line of Resham Mehta from Green Edge Wealth. Please go ahead.

Resham Mehta: So just wanted to understand your non-traditional channels a little bit better. So if we look at the CSD channel, so even that has had structural issues since the last 2-odd years. So in terms of revenues, if we were to look at it from a 9-month standpoint, are we back to the 9-month FY '23 revenue numbers?

Rajagopalan Saranyan: No, not yet. We are closer to that.

Resham Mehta: Okay. So because in FY '24, if I'm not wrong the revenues from CSD channel had almost become half versus FY '23. So in FY '25, you're saying that we would be closer to the FY '23 revenues. Is that correct?

Rajagopalan Saranyan: Sorry. your question is on specific channel or overall number?

Resham Mehta: CSD, specifically on CSD channel?

Rajagopalan Saranyan: We will not be there.

Resham Mehta: Sorry. I didn't understand.

Venkatesh V: We have not seen demand pick up with specific reference to the CSD channel in this financial year.

Resham Mehta: Okay. So the CSD revenues for 9 months of this financial year, would it be closer to the 9 months of FY '24 revenues or would it be closer to the 9 month of FY '23 revenues?

Venkatesh V: It will be closer, slightly lower to FY '24.

Resham Mehta: Okay. So it has declined further. And in terms of rural, sir, while yes, a lot has been spoken about the MFI part of the rural channel. So just wanted to understand. So if let's say, we are doing around 4%, 5% revenues from the rural channel, how much of that comes via the MFI route and how much via the non-MFI route?

Venkatesh V: So we do not measure our rural outside of the MFI channels. We don't have that at this point of time. Whatever we used to call is rural or whatever we're mentioning right now is entirely the MFI channel.

- Resham Mehta:** Okay. And the corporate sales channel, the institution sales channel, so here typically the revenue that we would be seeing from this channel would be in the festive Q3 quarter. Is that understanding right?
- Venkatesh V:** Yes, it is part of it. It varies on a yearly basis, but yes the festive season plays a good role in terms of the institutional sales.
- Resham Mehta:** And what would be the kind of decline that we would have seen in this channel from a 9-month perspective?
- Venkatesh V:** There has been a decline, not as sharp as in the other channels. There has been a decline in this channel as well.
- Resham Mehta:** So would that be a low single digit, high single digit, double digit, if you could just give some flavor there?
- Venkatesh V:** I think we'll probably reach back to you on that specific question. But suffice to say, directionally, the institutional channel is also under pressure for growth.
- Resham Mehta:** Got it. And exports, if I'm not wrong, after a long time you've mentioned that we've had robust orders. However, the delay in shipments is what caused the revenue decline. So if you can just talk about the export channel, are we seeing that picking up or reviving or at least being at par with last year's revenues or is there any reversal there?
- Venkatesh V:** So the first half of the year we did have supply chain related problems and that has sort of led to delays in the orders which is reflecting a bit in the Q3 numbers as well. But our belief and what we have seen is that we are definitely seeing a lot more inquiries coming in, in the second half of the year.
- And we do believe that we will be able to pick steam as we move forward. Couple of quarters, we will look at significant steam getting picked up in the exports journey as well. The first half of the year, we had supply constraints.
- Resham Mehta:** And these exports are largely to which countries?
- Venkatesh V:** The exports would be to, large part of the exports from our perspective is Europe.
- Resham Mehta:** Okay. And would it be possible to just give some qualitative sense on the initiatives that we would have taken post hiring the consultant?
- Venkatesh V:** It's too early for us to come back on this. We definitely would brief you as we move forward. I think, right now what we have done is to do a very deep dive in terms of the opportunities and in terms of the future strategies that we need to look at. Some of them getting rolled out, some of them will get rolled out. But I would request that probably a couple of quarters down the line is when we will be in a position to specifically answer that question.
- Resham Mehta:** All right. Thank you so much and all the best.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for the closing comments.

Venkatesh V: Thank you. Thank you for asking us the right set of questions and I think we are quite energized in terms of as we move forward. There are challenges around demand and challenges around specific issues that needs to be sorted out, but we do believe that as we move forward we are better poised and the industry in general would move in the right direction and looking forward to good quarters as we move forward. Thank you.

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