

Updated: 16-08-2019 19:12

Tags: @vishnu570

62-79 minutes

Aug 14, 2019 (Thomson StreetEvents) -- Edited Transcript of TTK Prestige Ltd earnings conference call or presentation Monday, August 12, 2019 at 8:30:00am GMT

* M. Chandru Kalro

* T. T. Jagannathan

* V. Sundaresan

Sundaram Asset Management Company Ltd. - Research Analyst

Unifi Capital Pvt. Ltd. - Manager

Ladies and gentlemen, good day, and welcome to the TTK Prestige Limited Q1 FY '20 Earnings Conference Call hosted by AMBIT Capital Private Limited. (Operator Instructions) Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashish Kanodia from AMBIT Capital. Thank you, and over to you.

Ashish Kanodia, AMBIT Capital Private Limited, Research Division - Research Analyst [2]

Thank you, Stephen. Good afternoon, ladies and gentlemen. On behalf of AMBIT Capital, we welcome you all to the Q1 FY '20 earnings call of TTK Prestige Limited. We have with us Mr. T. Jagannathan, Chairman; Mr. Chandru Kalro, Managing Director; Mr. K. Shankaran, Director of Corporate Affairs; and Mr. V. Sundaresan, Chief Financial Officer of the company.

Now I hand over the call to the management for their opening comments, post which we can take the floor open to questions and answers. Thank you, and over to you, sir.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [3]

Yes. Welcome to the conference call. I am Chandru Kalro, the Managing Director of the company.

We've had a reasonable quarter considering the circumstances around us with the economy. And the focus of the company has been to ensure sustainability and ensure that all the parameters of the company are protected and -- so channel qualities have accordingly been devised to face such a situation, and I must say that we've succeeded largely. You have seen the numbers, so I'm staying open for questions now.

(Operator Instructions) The first question is from the line of Avi Mehta from IIFL.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [2]

Just wanted to understand, despite a very sharp moderation in demand levels from 4Q, given whatever has happened in the macro, you've maintained a fairly positive outlook on growth, and monsoons have been covered. Have you witnessed signs of pickup in rural demand, which is driving expectation in the second quarter?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [3]

Yes. We do believe that the outlook would improve as we go along because we are seeing some of that happening already.

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [4]

The level is good.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [5]

The level is good.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [6]

Oh, okay. So July had seen an improvement in the context of rural accelerating there?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [7]

Yes, it's all rural, yes. And the festive month will be very good. We expect that prices will recover, the rural demand to go up.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [8]

And sir, the unfortunate kind of situation in Kerala given the heavy rains, how should we kind of look at it from a growth perspective? Is that likely to have an impact or this is considering that factor, sir?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [9]

Well, actually, last year, this time we (inaudible) growth. The growth prospective is not bad as you'd like. The other thing is that last year, when the floods happened, it was just at Onam. What we are hoping is that since Onam is a little away and the flood is away, the sales for Onam will not get badly affected like last year. Also, this year reflects probably not (inaudible) actually it should have crossed Kerala.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [10]

Okay. So in that perspective -- and no other geography has seen the impact, like kitchen maybe (inaudible) about issues of water availability, but now I think all that is behind us. Would that be a fair understanding?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [11]

Yes, it is. But we don't know what is happening in North Karnataka as well as Maharashtra. (inaudible) the growth forecast, because we don't do much business there, but it doesn't -- there is a problem in those 2 areas.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [12]

Okay, sir. Okay. And sir, lastly, in this context -- sorry, in this context, sir, what would be a reasonable quantum to kind of understand the underlying retail demand? In fourth quarter, you had said, FY '19 is a [little loud]. But clearly, things have weakened. Would it better to take the 1Q levels? Or how should I look at the underlying demand momentum benefit currently trending at? Or where do you see it? If you could give us guidance, to some extent.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [13]

We are looking at coming back to double-digit growth as we go along.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [14]

Okay. And this would be a fair bit of a ramp-up or you think the pickup is clearly visible? I mean it will be very sharp, the pickup that you see?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [15]

It's not a sharp pickup, but it's certainly turning around.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [16]

Okay, sir. And lastly, sir, could you just elaborate the changes that you did in offline retail? And how long do you expect this one-off impact to kind of play out?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [17]

See, the offline retail, given the demand situation, there was a tendency for a lot of competitors to give extended credit into the market, which we have refused to do. The other thing is excessive discounting in the market, again, which we have stayed away from. And I think that is in the long-term interest of the company.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [18]

Okay. So you are saying that will -- this is a continuous market deterioration that we have kind of not refused to participate. It's not tightening that we should kind of not done that in that..

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [19]

No, no, no. We have (inaudible) we have not changed any as whole.

Operator [20]

The next question is from the line of Sonali Salgaonkar from Jefferies.

Sonali Salgaonkar, Jefferies LLC, Research Division - Equity Analyst [21]

So my first question is, could you share with us the approximate market share of yours across the segments that you are in?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [22]

So what we have is we try to demonstrate and basically, anybody else who would come as part of that research. Now what we have is we have about 38% market share in pressure cookers in terms of volume, and that's about 33% in terms of value. We are close to 32%, 33% in terms of volume in cookware, which is about 40% in value. And we are now leaders in gas stove or the value-added gas stove segment. It's about 18% there. In mixer grinders, we are not yet #1. We have now improved significantly. We are at about 8% there. And in induction cooktops, we continue to be leaders with about 28%, 29% market share.

Sonali Salgaonkar, Jefferies LLC, Research Division - Equity Analyst [23]

Sure...

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [24]

This is only in retail. Other centers, we do have our own floors, which are not included in there, so that we increased the market share.

Sonali Salgaonkar, Jefferies LLC, Research Division - Equity Analyst [25]

Got it, sir. Sir, when I look at your segment-wide numbers this quarter, I mean apart from cookers, everything seems to have grown. Even specifically in cookers, was there any one-off aberration this quarter?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [26]

So there were 2 things. One was that the rural sale on cookers which happened last year was a little muted this year. Remember that, that place affected debt from last year onwards. And the second thing was there was an institutional order last year, which was a very large one, which is not there this year, which is why it is like that.

Sonali Salgaonkar, Jefferies LLC, Research Division - Equity Analyst [27]

Got it, sir. Sir, secondly, approximately how much of your sales is urban versus rural?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [28]

Well, we don't track rural in terms of whatever moves through the wholesale channel. What is directly rural is what we can tell you, which is about 6% to 7%.

Sonali Salgaonkar, Jefferies LLC, Research Division - Equity Analyst [29]

Okay. All right. Sir, in your press release, you mentioned in your outlook going forward that revised trade policies is expected to improve the business. Now which revised trade policies are you referencing over here?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [30]

So we have distributors, and we have been in the process of implementing secondary retail management software to give us a better visibility of the secondary retail that happens. And that obviously sometimes is registered by the channel partner, which we have been insisting on. We also make sure that we do not expand credit without any proper verification of these. The third thing is we try to arrange value financing for many of these people to make sure that they can participate in the growth of the company.

Sonali Salgaonkar, Jefferies LLC, Research Division - Equity Analyst [31]

Okay. So all these changes, sir, do we expect to increase our ad spend and net sales in the interim?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [32]

Ad spend? No. The ad spends are outlined earlier, and they are a percentage of sales which has been maintained from last year, as they have been for the last so many years.

Sonali Salgaonkar, Jefferies LLC, Research Division - Equity Analyst [33]

Okay. Sir, what is that percentage, almost around 3%?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [34]

6-odd percent.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [35]

It's 5% to 7%.

Sonali Salgaonkar, Jefferies LLC, Research Division - Equity Analyst [36]

Okay. Okay. And sir, lastly, what is the PSK store count for us now?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [37]

570, I think.

Operator [38]

The next question is from the line of Chirag Lodaya from Valuequest Investment.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [39]

Sir, my first question is on rural. So last year, we got majority of the sales by selling through micro-finance model. If you can throw some light what exactly is happening in that model at this point of time?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [40]

The model is intact. We are only processing that. There is, of course, some -- the demand is not as good as it used to be last year. Secondly, with all these MBSE issues, I think lending has also become a little more conservative, which is also causing a little bit of issue.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [41]

Okay. Have we changed any terms with the micro-finance lenders or the terms are same as last year?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [42]

It's the same. They are the same.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [43]

Okay. And so you mentioned in cookware, there were 2 aspects: one was related to institutional order and second was related to rural. If you can just call out how big was the institutional order in this quarter, it will help to understand...

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [44]

I would rather not give you that detail. But I can tell you what it is because of...

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [45]

Rural declined in this quarter or it was flat?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [46]

Let me say it this way. Aside of the channels which didn't perform, we've had a double-digit growth in many of the segments that they were performing. But I can't tell you how much the institutional order was or from where it was.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [47]

Well, it was just a one-off, so I was just wondering if you can just call it..

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [48]

Yes, yes, it was just a one-off thing. Yes.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [49]

So sir, it could be really helpful if you can -- to understand the underlying demand trends, that was the only thing at this time...

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [50]

Yes. Other than institutional sales and rural, we have grown by 17%. That's the underlying demand growth.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [51]

Sorry, sorry? I missed it.

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [52]

Other than institutional and rural sales, we have grown by 17%.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [53]

Okay. Got it.

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [54]

That's the underlying growth.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [55]

Okay. So you mentioned, sir, you are looking for double-digit growth in coming quarters. What exactly is giving us confidence? Because rural, we are seeing some slowdown. In general trade, we had seen extra discounting and we are not giving the credit. So what is giving us confidence? And what are -- demand trend commentary across consumer companies is bad at this point of time.

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [56]

I just mentioned to you that we have grown 17% other than rural and institutional. The institutional is a one-off only in that quarter. It's does not [repeat] quarter after quarter after quarter. And rural, we expect the pickup after monsoon. And also we will see the prices coming to an end, so we expect 17% growth, otherwise we'll certainly expect double-digit growth.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [57]

Sir, I'm trying to understand on a company basis, not on a particular segment basis, so...

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [58]

Yes. Yes, that's the same.

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [59]

I'm actually only on a company basis.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [60]

What we are saying is that after -- since we have actually performed in the other areas to the extent of 17%, and now that we are expecting rural demand to pick up and with MBSE issues to get resolved, and also the fact that the monsoon is largely going to result in good sowing and, therefore, a good agricultural output, we're expecting that the rural demand will also pick up and, therefore, we are saying we will come to a double-digit growth.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [61]

Okay. Got it. And sir, in terms of price hike, have we initiated any price hike?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [62]

No. The material costs are fairly stable and, therefore, there's no need for increasing price.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [63]

And just lastly, sir, on an overall margin basis, how one should look this year? Are we seeing commodity inflation, deflation? What is the...

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [64]

Commodities seem to be stable and, therefore, we are looking at stable margins.

Operator [65]

The next question is from the line of Achal Lohade from JM Financial.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [66]

Sir, just a clarification. The 17%, excluding rural and institutional, was it only for pressure cooker at the company level, you mean?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [67]

At the company.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [68]

At the company. Super. Okay. Sir, my second question was with respect to the regions, South and non-South. In the past, you have mentioned that it's broadly the mix is same, 50-50, plus/minus 2% or so. But in terms of the qualitative aspect of -- do you see the weakness was a little bit more pronounced in South vis-à-vis non-South or otherwise?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [69]

Kind of little more pronounced in the South but not so much of a difference. The scale we provide is roughly the same at about 50-50.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [70]

Right. And in terms of the distribution, you mentioned that we are reworking some of the policies. Are these also having some impact in terms of the growth? Like is there any disruption with respect to these changes happening?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [71]

A little bit because any change will obviously meet with some resistance. I think it is slowly coming back to stability. So I don't think we should worry too much about it.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [72]

Got it. Sir, in the press release, you mentioned that modern retail format, modern format stores are accommodating more band at a lower price point. Did you mean that it's more regional brands which they are accommodating or even the national brands, do you think, they are accommodating? And is that also with respect to appliances or across the board?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [73]

Well, it is regional brands that they are accommodating to be in the -- think with their own strategy. And also, they are trying to fight the online. And in terms of national brands also, some national brands have got in, in this melee because they also probably want to spread their wings across. So that will happen.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [74]

And across the product categories or is this specific to appliances or cooker or cookware?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [75]

It is across. It is across.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [76]

Got it. And with respect to the sales mix, would it be possible to give an idea as to how much is modern retail format, how much is online, how much is traditional retail and CSD?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [77]

Well, largely, the percentage is similar to last year. There's not been too much of a change. Of course, online continues to grow faster than the retail.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [78]

Got it. And just a last one, with respect to CSD, have you seen -- we heard that CSD payments were delayed kind of in the March quarter and also the growth. Has that come back? What...

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [79]

Yes, that has come back. We have paid up all the money. That is not a problem.

Operator [80]

The next question is from the line of [Neera Watha] from [Anand Radeesh].

Unidentified Analyst, [81]

Sir, we have come out with amassing like discounts for the period between 9th August to 20th August, independence day sale or something. Sir, can you just share incremental updates regarding this particular product promotion because the prices, if it too discounts which are being offered are really very high, and what can be the potential impact on that with regards to volume and the pricing across the channel?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [82]

First of all, to reassure you, the promotions will not depreciate our margin structure. That is one. Second, how well they have done? We've just advertised last weekend -- I have not had the time to actually evaluate what happened that weekend, but I can only tell you next weekend what will happen. But the initial response has been very good.

Unidentified Analyst, [83]

And sir, can you please share the CapEx plans for FY '20?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [84]

Sorry? CapEx...

Unidentified Analyst, [85]

FY '20 CapEx plan?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [86]

Sorry. Actually, bulk of the CapEx is already done. So it will be about INR 80 crores.

Unidentified Analyst, [87]

INR 80 crores. My queries have been answered.

Operator [88]

The next question is from the line of Avi Mehta from IIFL.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [89]

Just 2 follow-ups. First, any update on the acquisition that you were planning to close?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [90]

Repeat the question again.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [91]

The acquisition that we were planning.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [92]

Sir, you were highlighting -- you're right, I mean acquisition, so any update on this theme, if you could share?

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [93]

That pickup was because I think -- it's still in the pipeline. I indicated that we were [not 2 parties, so everything in the report out there, we'll meet again].

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [94]

Okay. So it's still on, sir. I mean it's not like it's been kind of put on the shelf or something like that.

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [95]

We're still looking for acquisitions.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [96]

Okay. Okay, sir. Okay. The second question is on the distribution software change that you were highlighting, how much time does this typically take? Is this already implemented? Or the specific time to kind of flow through, if you could kind of give us a sense on how...

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [97]

It's already implemented. All the distributors have already been installed with the software. But just making sure that everything still continues only on this software and not on any other software, which is in place. Almost 80%, 90% of the people have fallen in line as we speak.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [98]

Okay. So does this typically -- I mean, typically, when these changes occur, is there an impact on sales that is reflected because you called it out in this quarter? Do you expect there to be some impact as we go forward or you would think that's more or less done, sir?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [99]

That is done.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [100]

That is done. Okay, sir. And then just -- sir, you once highlight, could you kind of just share the tax guidance? If you don't, what should we achieve at the end of the year?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [101]

Around 32%.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [102]

32%.

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [103]

32%.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [104]

Oh, sir, what is the benefit which is kind of coming in, which is, by the taxes, can lower the margin and rate?

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [105]

Depreciation. The current CapEx, we get an initial depreciation, otherwise we'd fall in 34% comfortably because all our tax results are completed within the year.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [106]

Okay. Okay. And sir, the last take on the CapEx base. So the facilities in Coimbatore and both the facilities are now on stream, sir?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [107]

Yes.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [108]

You said -- okay.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [109]

In the sense that they would start -- they are giving in production from the second quarter onwards.

Avi Mehta, IIFL Research - Assistant VP & Lead Analyst of Consumer Discretionary [110]

Oh, so they should kind of start flowing through -- okay. Okay.

Operator [111]

The next question is from the line of Sreemant Dudhoria from Unifi Capital.

Sreemant Dudhoria, Unifi Capital Pvt. Ltd. - Manager [112]

Two questions. Firstly, what was the contribution from the Cleaning Solutions segment and the Smidge brand?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [113]

The Cleaning Solutions were about INR 16 crores, if I'm right. One second, I'll just figure that out. Yes. Sorry, it's about INR 11 crores.

Sreemant Dudhoria, Unifi Capital Pvt. Ltd. - Manager [114]

INR 11 crores. Okay. And in quarter 4, what was the summary, if you could help reiterate that number?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [115]

In quarter 4...

V. Sundaresan, TTK Prestige Limited - Senior VP of Finance & CFO [116]

So it was around INR 8 crores.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [117]

Around INR 8 crores to INR 9 crores, I think.

Sreemant Dudhoria, Unifi Capital Pvt. Ltd. - Manager [118]

INR 8 crores. And how big is the Smidge brand right now in the U.K.?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [119]

The Smidge brand has just been launched in the second quarter of this year or this quarter as we speak. The response has been good.

Sreemant Dudhoria, Unifi Capital Pvt. Ltd. - Manager [120]

Okay. Okay. Got it. And institutional order that you are talking, which led to high base last year, was there an impact in the quarter 2 of last year as well from that order?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [121]

No. No, only quarter 1.

Sreemant Dudhoria, Unifi Capital Pvt. Ltd. - Manager [122]

Only quarter 1. Right. Okay. Can you also share the channel, what is the growth rate in the quarter 1?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [123]

I wouldn't want to say anything there, but I can tell you that the online sales are continuing to grow faster than the rest.

Sreemant Dudhoria, Unifi Capital Pvt. Ltd. - Manager [124]

Okay. Okay. And you've said that the expanded...

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [125]

Exclusive stores have grown faster than the rest.

Sreemant Dudhoria, Unifi Capital Pvt. Ltd. - Manager [126]

Sorry?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [127]

Our exclusive stores that we have, the franchise stores, they have grown faster than the rest.

Sreemant Dudhoria, Unifi Capital Pvt. Ltd. - Manager [128]

Okay. If you can quantify, that would be helpful.

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [129]

At this time, we'd rather not. The strategy is too confidential. Let us wait for one month result then we can share.

Sreemant Dudhoria, Unifi Capital Pvt. Ltd. - Manager [130]

Sure, sure, sure. And in the past, you highlighted about your strategy of penetrating more in the rural market. If you can briefly discuss about where has been the penetration level now? And just on increasing the penetration level, what kind of growth rates can -- it could bring to you?

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [131]

The penetration level has gone up from 0.2% to 0.25%. What are you talking. The rural market is almost [50%] with India, and we've just started scratching the surface. The potential is huge.

Operator [132]

The next question is from the line of Amar Kalkundrikar from HDFC.

Amar Kalkundrikar, HDFC Asset Management Company Limited - Senior Equity Analyst [133]

So sir, you mentioned about change in distribution policy secondary driven -- moving towards a secondary sales-driven model, and you said that 80%, 90% of the distributors have fallen in line. Can you please elaborate what exactly are these changes?

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [134]

So what earlier we used to have was they all used to have their own software fluids. They used to do that with (inaudible) reason, and they also give us reports. Now what we are trying to do now is to have an online tracking of all secondaries by all accounts so that we can ensure that we are tracking all the secondaries correctly. And the reason to do that is when we offered [clean] to the dishes, we offered it through the [additional cut]. Sometimes it's difficult to follow the scheme and not give it to the dealer. So now by adding around secondary software, we can track whether they're giving it to the dealers or not and also control the pricing at which they give those dealers.

Amar Kalkundrikar, HDFC Asset Management Company Limited - Senior Equity Analyst [135]

Is that the inventory holding norms for either retailers or distributors?

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [136]

The retailers in regional have norms. They have their own norm. And therefore, for the distributors, we of course ensure that we are more in line with doing primary sales in accordance with the secondary retail.

Amar Kalkundrikar, HDFC Asset Management Company Limited - Senior Equity Analyst [137]

Okay. Okay. So along with this change of software, are you also changing the inventory norm that distributors carry?

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [138]

So we always had a norm. Now we will be in a better position to track the norm.

Amar Kalkundrikar, HDFC Asset Management Company Limited - Senior Equity Analyst [139]

Okay, understood. And lastly, sir, you mentioned that excluding the institutional order and rural business, your sales grew 17%.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [140]

Yes.

Amar Kalkundrikar, HDFC Asset Management Company Limited - Senior Equity Analyst [141]

That rural business which you refer to, is this only the direct rural which is 7%, 8% of your business? Or there is another part to it, a bigger part to it?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [142]

Direct rural business.

Amar Kalkundrikar, HDFC Asset Management Company Limited - Senior Equity Analyst [143]

So 7%, 8% of sales. And do you see, excluding that growth, is 17%?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [144]

Yes.

Operator [145]

The next question is from the line of Prashant Kutty from Sundaram Mutual Fund.

Prashant Kutty, Sundaram Asset Management Company Ltd. - Research Analyst [146]

Just one bit on the rural, sir. You just highlighted that for this quarter, obviously, rural did slow down. Did that distribution efforts also kind of come off because of the slowdown? Because you said that rural had very good opportunities, so from that angle, did the distribution efforts are also a little lower in this quarter?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [147]

You have to speak a little slower, please.

Prashant Kutty, Sundaram Asset Management Company Ltd. - Research Analyst [148]

I was just asking that you said rural, obviously, slowed down in the quarter. Was it the case that even distribution efforts for the rural markets also slowed down in the quarter?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [149]

A little bit of slowdown was there, as we said, because of the lending policies of various institutions. Number one. Number two, there were certain policy changes among the micro-financing institutions, which stemmed from the third-party logistics. It caused some problems. What we have however done, I must say, is that our distribution has only expanded in this quarter. The number of organizations that we are working with has only increased. So as we go along, we are seeing this reversal very fast.

Prashant Kutty, Sundaram Asset Management Company Ltd. - Research Analyst [150]

Okay. So the distribution efforts still have continued for us?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [151]

Yes.

Prashant Kutty, Sundaram Asset Management Company Ltd. - Research Analyst [152]

Okay. Okay. And sir, just a clarification, you said that direct rural business is about 8% of sales?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [153]

Yes, about, yes.

Operator [154]

The next question is from the line of Achal Lohade from JM Financial.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [155]

Just 2 questions. One is with respect to the distribution for the acts of -- common acts of modern retail, is everything sold through the distributor model? Or are we directly selling it to

the dealer-retailer...

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [156]

Sell it to whom, to modern retail and?

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [157]

And e-com?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [158]

Both modern retail and e-com, we sell directly in.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [159]

Right. And how about the rest? Is everything sold through the distributors? Or...

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [160]

We have several channels. We have direct dealers of our own. We have distributors who sell into what we call sub-dealers. We have our own franchise outlets, we have modern format, we have B2B format, we have online B2B, we have online B2C and we have Google and (inaudible).

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [161]

Right. So this -- when you said about the distributors, the secondary billing thing, the software tracking, that's only applicable to, in that case, only the distributor, right, and not the dealer?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [162]

Yes, you are correct. You are absolutely right. And they are at about 35% to 40% of our total sales.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [163]

35% to 40% of total. Got it. And just another question with respect to the exports. So we have been talking about a fair amount of export out opportunity. So where are we now? We've seen export growing, but the number continues to remain small. So how do you see it from a 3-year perspective, where the opportunity is in terms of the product and the geography?

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [164]

The growth will accelerate. Everything is clear for growth to accelerate. We have the capacity. We know how to customize. But the customer growth is early. They don't (inaudible) give you \$100 million or less. They'll give you \$100,000; and then next quarter, they give \$300,000; quarter after that, \$500,000. It will go on like that.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [165]

And we are on track of the same, right? I mean...

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [166]

We are.

Operator [167]

(Operator Instructions) The next question is from the line of Chirag Lodaya from Valuequest Investment.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [168]

Sir, what is the reason for export sales down 16% this quarter?

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [169]

You have to talk into the phone, please.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [170]

What is the reason for export sales down by 16% this quarter?

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [171]

Largely U.K. The uncertainty of Brexit, the Prime Minister May going and other areas. In fact the U.K. market and nearly all the losses is because of U.K.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [172]

Okay. And sir, would you like to call out adjusted growth in appliance cooker and cookware, ex of rural and institutional order?

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [173]

I wouldn't want to do that.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [174]

Okay. And just lastly...

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [175]

We already told you that we have grown 17%, other than rural and institution.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [176]

But on a company level, I was just trying to get trends of the segment.

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [177]

We actually are very, very confident, as you will appreciate.

Chirag Lodaya, Valuequest Investment Advisors Private Limited - Equity Analyst [178]

No problem. Lastly, if you can help us understand what is the rural outlook for FY '20, considering FY '19 was exceptionally well for us. What one should expect?

T. T. Jagannathan, TTK Prestige Limited - Non-Executive Chairman [179]

FY '20 will be positively better than FY '19. So we expect to make up that loss in the first quarter the next 3 quarters.

Operator [180]

(Operator Instructions) As there are no further questions, I would now like to hand the conference over to the management for closing comments.

M. Chandru Kalro, TTK Prestige Limited - MD, CEO & Executive Director [181]

Yes. As we see, the first quarter is not going to be representative of the rest of the year. That's something that we're clear about. And we're seeing that the residual demand is going to come back. And as the Chairman said, we are likely to more than make up the lost ground of the first quarter in the next 3 quarters. We are expecting the demand to reverse out and actually have a good festive season as we speak. We have several product launches as well going forward, and we are hoping to do well in the coming quarters.

Operator [182]

Thank you. Ladies and gentlemen, on behalf of AMBIT Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.