"TTK Prestige Limited

2QFY2025-26 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the TTK Prestige 2QFY2025-'26 Earnings 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 and zero 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, Sarthak. Hello, everyone. Welcome to TTK Prestige 2QFY26 Earnings Call. From the management side today, we have Mr. Venkatesh Vijayaraghavan, Managing Director and CEO; Mr. Shankaran, Adviser to the Board; and Mr. Saranyan, the Whole Time Director and CFO.

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

Saranyan: Good evening. This is Saranyan, Whole-Time Director and CFO. Before I hand over the proceedings to our Managing Director, I want to remind our participants of the safe harbour clause. The discussion today may contain certain statements that 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 judgments by considering all relevant factors before taking any investment decision.

Thank you. Over to you, Venkatesh.

Venkatesh V: Hi. Good afternoon. This is Venkatesh. Let me start with the external environment, probably a view on the overall economy and then probably get on to specifics around the business for the quarter. Like we've all seen, I think the overall economy seems to be on a robust direction, backed up by sort of statistical numbers coming in from varied quarters, a good projected GDP growth from an overall economy perspective.

This is backed by a lot more vibrant demand that we're seeing on the ground, followed by a lot of policy changes, including the recent GST-related changes that have happened, which seem to be positive to the overall consumption scenario, per se.

So overall, the external environment in the domestic market seems to be sort of on a positive track, enabling, therefore, the right set of business levers for most of the business and categories across the country.

The turbulence around the outside of India scenario continues to be there with a little bit of uncertainty around tariffs and also a little bit of impact because of some of the war scenarios across some of the geographies.

So, the domestic market seems to be on a robust growth path in our view, while there has been a little bit of turbulence in terms of the external environment, which we do believe at some point in time should stabilize.

With regards to the environment impacting cost, there have been continued pressures on raw material. We see that there is a sustained pressure on the raw material pricing, very specific to our category as well. So that's an overview that I would say from an overall perspective, a robust demand scenario is being projected across most key categories. We do believe that, it's in a good phase of growth, and that can be capitalized upon as we move forward.

Specific to our company and our categories, I think the quarter has been a very good quarter. Overall, we've done around 11% top line growth, followed by a robust operating EBITDA growth as well.

In the last few quarters there have been a journey of a transition, as we know, in terms of management, in terms of some of our on-the-ground strategies that we have deployed. We're quite happy to see the starting of this stratifying a little bit, and we're quite confident as we move forward, things will move in the right direction.

From a quarter perspective, the demand has been robust across categories, across channels and that sort of has helped us leverage the growth forward. We've seen a significant growth in the appliances along with kitchenware as well. Some of our earlier drags that we had in terms of our MFI channel still continue to be a challenge.

While we do see that most of the other channels have started bouncing back again, including general trade, e-commerce, we also see a little bit of a growth coming back on the CSD channels as well, as we mentioned in our reports as well. The pressure on pricing continues to be there.

The category sees a lot more intensive action across competition, particularly at the mass end, while the premium end is consolidating and experiencing significant growth as well.

Exports continue to be subdued, driven by a lot of challenges around the global scenario, like I mentioned before. In our view, exports would be a subdued scenario till the global scenario sort of gets altered. And then probably we could see some shoot off coming in from there.

From an overall quarter perspective, we believe that it's been a good quarter, driven by a robust top line growth backed by demand and also go-to-market corrective actions that we've taken in the last few quarters. We've also initiated a lot of strategic initiatives, which have helped us sort of optimize the costs as well, and that's a parallel track that we've been running.

Overall, it is a good quarter, and we're quite happy about that. And the market demand seems to give us the positive vibe that we should be able to continue in a positive direction as we move forward.

I'll take questions from here on.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Aniruddha Joshi from ICICI.

Aniruddha Joshi: Sir, really great set of numbers this quarter. So, just wanted to understand, was there any one-off in terms of margins, or any growth, like some of the channels had seen some inventory build-up, or like that, or do you see now there is a structural change in terms of the way the growth rates are looking for the company? Because we have seen growth across all the 3 segments. So, in a way, it's an encouraging result. So, is it a sustainable number or how should we look at the numbers now?

Venkatesh V: I don't want to make a very futuristic statement on that. I think I would definitely say that, there are no onetime here both in terms of any financial numbers or in terms of margins. I think it's a sustained effort and it's driven by both seasonality. And like I said, a lot of strategic initiative changes that we have brought in. I wouldn't want to put a number to it, but we would definitely be in the positive direction of growth.

Aniruddha Joshi: Okay, sir. And in a way, I mean any new product that is driving the growth or any particular region that is driving the growth, East, West, North, South or rural urban, if you can share any breakup on that?

Venkatesh V: So the way I would see the construct is the demand is being driven -- at a channel level, the demand is being driven by e-commerce and quick-commerce, which has been the case for the last couple of years, I would say. So, it is being driven by e-com, quick com, followed by the large format stores and a lot of stand-alone large outlets to say.

In the stack of growth, if you were to see general trade sort of has been flattish, and that's the change that we have brought in. Our general trade growth is around 2% to 3% now. That's a change we introduced, driven by efficiency initiatives and strategic changes made at the channel level.

From both an industry and category perspective, I would say the growth is being driven by e-commerce and quick commerce very aggressively. I think that's point number one. And in terms of categories, across categories, we're seeing this growth or we're seeing the demand region rejuvenation across categories.

I would call out probably small domestic appliances as one category where there has been robust growth. It could be in terms of air fryers or kettles. We are seeing a strong growth in our small domestic appliances portfolio, which is currently under our appliances category.

Similarly, in categories, we've also seen a uniform growth across the segment. We do see there's a lot more trust or movement happening towards higher price points as well. So, I think from a trend perspective, I would say premiumization backed with the value growth, aggressive channel push that's happening to e-commerce and quick commerce as well.

And the third, I would say, is call out one category, if not, that's a small domestic appliances category, which seems to have a disproportionate growth. I would also say that, over the last few quarters, we've also ramped up our portfolio in terms of cookware as well as in terms of appliances. And that portfolio addition is also helping us grow.

So, I think that's the overall growth story that I would say. Geographically, we don't see too much of difference. We see the entire country sort of growing. There might be a little each probably slightly slower growth, but the growth is actually uniform across the country. We're not seeing very visible differences across the country.

Aniruddha Joshi: Sure, sir. This is very, very helpful. Just last question. Should we consider that we would have gained market shares across the key segments or products, or we would have largely grown with the market?

Venkatesh V: I would probably wait for the numbers to come and probably next time, I could talk to you some firm numbers on that. But I would suffice to say that, I would say that in the last few quarters, we have gained market share. This quarter specifically, I wouldn't be able to answer that question. But directionally, we have been gaining market shares in our core categories.

Moderator: Our next question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: Congratulations on a good set of numbers. Firstly, sir, I see you mentioned the term seasonality. So I just wanted to understand there is an early festive this year and typically in categories where we operate, there is an initial sell-in to the channel. So that could have led to some positive impact. Could you quantify the impact, if you have the numbers, to see what kind of positive effect it would have, so that it's easier for us to model?

Venkatesh V: No, I think it will be difficult to estimate from that perspective, but I would just put in a certain number to you that there has been a period when there's been a little bit of change because of the GST change that happened. There's been a period of lower sales that happens. So, I would say that, this number captures the seasonality as well.

Sameer Gupta: Got it. You're saying the disruption due to the GST change…

Venkatesh V: There was a significant disruption for some of the month.

Sameer Gupta: Got it, sir. That's fair. So that comes to the second question then. So, if you could just quantify the proportion of sales which have benefited due to the GST rate reduction in our company? Is it largely the cookware division, which is 17% of sales? And is the reduction blindly just 12% to 5% or are there categories where there have been a larger reduction as well?

Saranyan: This GST reduction is primarily in the kitchenware, which includes both cooker and the cookware. The reduction is across the similar percentage. It used to be at around 12% for the cooker and cookware. It has now been brought down to 5%.

Sameer Gupta: So that would mean that overall, it's around 50% of your portfolio, which would have really benefited from this?

Saranyan: That's right. Yes, close to 50%. Yes, that's correct.

Sameer Gupta: Got it, sir. One more question, if I could squeeze in?

Saranyan: Yes, go ahead.

Sameer Gupta: So sir, we have seen a gross margin expansion now for the last 4 quarters around average of 120 basis points. This is the reported number, the sales minus the COGS line, which I'm looking at. Now given that this is the fourth consecutive quarter, do you see this anniversarizing from next quarter onwards or there are some structural tailwinds to GM expansion, which may continue in future, let's say, mix or some structural things that you have changed on the ground? Your thoughts on this, sir?

Venkatesh V: So 2 things. One, I think a good observation that the gross margin is moving up for us. There have been some changes that we have been able to make to our portfolio. And like I said, we've been filling our portfolio with some products that we did not have in the past, which are reasonably good margin products.

Having said that, I think there are a few challenges in that as the cost of input keeps rising, and we do expect the second half of the year to be impacted by the cost increase that would happen from the input prices, input metal prices. This would put pressure on the margins as we move forward.

Sameer Gupta: But you would offset that by some price increases as we have done in the past?

Venkatesh V: Directionally, we have always done it, but I think that's a call that we take, based on the market scenario. Over the past, we have done that. So, we should be looking at that as we examine the market; we'll take that call.

Venkatesh V: And there will definitely be a lag between the cost impact and the price impact.

Sameer Gupta: Yes. Got it, sir. That's all from me. Again, congratulations on a good set of numbers.

Moderator: Our next question is from the line of Naitik Mutha from NV Alpha Fund.

Naitik Mutha: Congrats on a very good set of numbers. So, my first question is you mentioned that in the last couple of quarters, you've taken some strategic initiatives and made certain changes, which has actually given you the benefit of growth now. So, can you highlight or mention a couple of them so that we can better appreciate the effect of these changes over the coming quarters?

Venkatesh V: So we've had 2 tracks that we've looked at. We looked at our cost base, and we've also looked at our channel efficiencies as well. From a go-to-market perspective, we've implemented a couple of initiatives that have direct bearing on the way our efficiencies in general trade work. We've also enhanced our focus on large-format stores and e-commerce, as well as quick commerce channels. These are 2 big levers that I would say.

And we've also been able to sort of start ramping up our own retail stores. These are 3 big things that I would say or call outs that I would say that we're working on consistently. The company has always worked on these, and I think we're still accelerating this process right now. From a cost perspective, we are looking at optimizing our cost base, very early shoots.

I think we are more focused on making some structural changes that would help us leverage our cost base. That I do believe that over the next few quarters, it would start to see fruition as well. So that's probably the structure. The third one that's helping us is the Judge brand. Judge brand continues to grow at 50%. So that is one lever that seems to be working for us.

Naitik Mutha: Got it, sir. Sir, my second question is whether you could provide us with our channel split for the quarter? That would be helpful.

Saranyan: See, the channel split will be between large format and e-commerce will be around 32%, then the general trade will be close to around 40%. Our retail -- exclusive retail will have around 15%. The rest comes from CSD and the other institutional sales.

Naitik Mutha: And sir, when you mentioned LFS, is it different from GT or it should be a part of GT? How is it different from large format stores for us is part of the modern trade format?

Venkatesh V: So a large format stores for us is part of the modern trade format.

Moderator: Our next question is from the line of Rahul Agarwal from Ikigai Asset.

Rahul Agarwal: Hi Venkatesh, just wanted to understand the sales growth better. You mentioned there is seasonality. You mentioned there was certain GST disruption. Despite that, you have shown double-digit growth. 50% of the portfolio got changed on to GST rate reduction. So, my sense was that, because of that, there would be a deferment, but appliances and other segments would not have seen disruption.

From a value versus volume growth perspective, because you also mentioned that this growth looks sustainable as of now, broadly speaking. From a value versus volume growth, more from an industry perspective, kitchenware, because SBA has not been a very good category, due to too much competition, I think, over the last year post COVID. So could you just give some more color on how could -- why this 10%, 11% double-digit growth looks -- it's a positive surprise. So, I just wanted to understand this number better.

Venkatesh V: Okay. So, I'll split this commentary in 2 parts. This growth is largely being led at this point by volume growth. We haven't taken too many price hikes in the last few quarters. So, I would say 70% of this impact would be from volume, the balance coming in from price.

Second, like you said, the disruption has been there because of billing-related issues and other stuff, which possibly would sort of get -- which is what neutralized the seasonal benefit that we should have sort of got fully.

The growth remains robust. And I would hazard a guess that it's same for the industry as well because I think we do see that there's a demand coming in, one. And two, very clearly, there are specific initiatives that we have taken at a company level.

So I think to that extent, while I don't want to comment on the sustenance of the number per se or a commitment on that, I would suffice to say that, I think backed by specific company initiatives, backed by a robust demand from the category perspective, kitchenware seems to be driven by volume, and that seems to be a good story at this point of time.

Rahul Agarwal: Got it. Did early festival season also help positively?

Venkatesh V: It did help. But like I mentioned, it got neutralized by a little bit of the disturbance that happened from a calendar perspective.

Rahul Agarwal: Got it. Perfect. And just secondly, on -- when I look at cash flow, I think the capex investment, which we have been talking about, I think opex is already running at about INR17 crores to INR20 crores a quarter. But I think the capex investments have still not started. Just a few comments on that. And secondly, on the cash conversion cycle itself, it looks like there is some bit of inventory buildup, which has happened on the balance sheet. Could you please clarify how do you look at the cycle?

Saranyan: See the capex, we haven't started incurring. I think we have already incurred close to INR30 crores in the second half -- sorry, first half. So that will start continuing as we move forward. With respect to your query on the cash flow, yes, there are certain impact because the prices of aluminium has been going up, we have been investing on strategic buying of some of the aluminium to help us to mitigate some of the cost increases. So, because of that, I think there has been a drop in the cash accrual as well.

Rahul Agarwal: Got it. Very clear on the conversion. Just a follow-up on the capex. So, you said so INR30 crores, I think INR50 crores, INR60 crores is anyway the annual number which we spend. I was talking more to do with the additional allocation, which the company has?

Venkatesh V: On the capacity expansion, the first INR30 crores has been deployed, which we reported last month or so, which is an expansion of our cookware unit in Karjan, Baroda. The rest of it will follow with a series of actions over the next few quarters.

Shankaran: The number what we have given is for a period of 3 years, the capex deployment, what we had mentioned.

Moderator: Our next question is from the line of Resha Mehta from GreenEdge Wealth.

Resha Mehta: Sir, first question is on the channels basically. So, I think to one of the previous participants, you had called out that you had given the revenue mix by channel. So, does that broadly hold true even from an annualized level perspective?

Saranyan: Yes, more or less, it will be similar even annualized basis.

Resha Mehta: And sir, CSD has seen a double-digit growth, but I think it was undergoing inventory rationalization. So, is all of that behind? And from here on, structurally, do we think that all those problems with the channel specifically are behind and probably it is poised for growth from here on?

Venkatesh V: So I would say the rural, what we have mentioned about MFI, we are behind that. We are behind that in the sense the impact has gone, but we don't see the channel coming back robustly as it used to be in the past. The structural issues continue. Our impact is minimized. As we move forward, that's more of a time-based issue.

CSD, I would wait and watch. We are not too confident that it's fully come back again yet. That's something that I would take a wait-and-watch approach as far as that specific channel is concerned.

Resha Mehta: Okay. And after a very, very long time, have seen some very healthy addition for the PSK stores, almost 25 stores added sequentially. Anything specific to read here because otherwise, the GP and the PSK channels have largely been very low single-digit growth kind of channels. So anything specific to read here?

Venkatesh V: No, we are quite bullish about our exclusive stores and expansion of stores is one specific initiative that we have called out, and we would continue to be aggressive on expanding the stores in a more. I would say, in a more planned manner, we would continue to expand. The company has been doing this for a long time. So, I think that's one lever that we would continue to be using aggressively. So, these numbers would continue to grow.

Resha Mehta: But the new store addition, would it be safe to assume would be largely outside the South? Or would it be in the existing southern markets largely?

Venkatesh V: It's a combination of both. So, we don't look at the South, non-South. We look at it more as the top cities versus the smaller cities. I think if I were to take a national view, the top cities seem to be giving us more demand, more geographical gaps emerging because of the city expansions that is happening right now.

So, I wouldn't say it's purely a South-based phenomenon. It is more to plug the gaps in the top cities, and also expansion that's happening to Tier 2, Tier 3. It's an equal bet that I would lay on both new town expansion as well as filling the gaps in the existing towns.

Resha Mehta: And so the modern trade, e-com, quick salience was at around 32% as called out. Can you break this up between these 3 sub channels?

Saranyan: These information are a little confidential, so we don't want to share it in the open forum.

Resha Mehta: Right. And so since the last few quarters, we had lost some market share, then we tried to fill in the product gaps that we had. And now we are saying that we are gaining market share. But on a net-net basis, would it be safe to say that we've recouped all the market share that was lost in the last couple of -- last 2 years or so?

Venkatesh V: I would say let's take this as it comes. I don't want to now put a number to it, but directionally, we are gaining market share. So, I don't want to put a number to say I've gained fully or halfway through. But I think the job remains to be done, and we are quite confident about it. Directionally, we are gaining market shares, and that, I think, would be a bold position that we would take right now.

Resha Mehta: And the last one, if I may, basically on our U.K. business. So, it seems to be range bound and marginal or maybe marginally loss-making. So, what are our thoughts there? Do we like want to continue the business or eventually take a call that if it does not turn around or, let's say, does not meaningfully look at contributing to the bottom line, then maybe we would want to exit that business? And also, on the similar lines as far as Ultrafresh is concerned. So, what is the thought process there? Because it's also been subscale after so many years. So just your thoughts on these 2 parts of the business.

Shankaran: So, see, these 2 acquisitions are made certain objectives in mind. And U.K. unfortunately went through a very bad phase. We invested in U.K. then the Brexit came through and everything else came. I think basically, it's a country-specific issue, and the business is robust, because I would be better than the top seller there. In a long-term view on all these hurdles, we are continuously reviewing that and take appropriate actions. We'll review for little extra time, then see what we need to do.

Saranyan: Similar Ultrafresh, I think it is like a start-up. They are in the investment mode. This will be like that for a couple of years, when they should start stabilizing that. It's too early to comment anything on the Ultrafresh at this point.

Shankaran: We don't want to be impatient. The market has been patient.

Resha Mehta: But generally, like how much time would we want to give to -- businesses that we have.

Shankaran: One thing is that whether it takes our management time or not. It's not so. It is being independently managed. They are not drawing on our resources. It manages its own cash flows. There's nothing alarming at this point in time.

Venkatesh V: So we would give them the time. We are not time bound on these decisions right now.

Shankaran: We don't want to take an immediate reaction because it may appear certain distraction from the investor point of view. From the company point of view, they are being managed independently they does not take the time required on the domestic market.

Moderator: Our next question is from the line of Madhav from SKP Securities.

Madhav: Sorry, if I missed this, what is your top line guidance for the second half firstly? And secondly, I wanted to know that in your overall revenue, how much is the contribution from this white label sales? So if it is a product -- like, what these two?

Venkatesh V: So, the white label sales or export, as you call it, is not very insignificant. It is less than 1% of our total sales, I would say. With respect to a forward projection, we wouldn't want to do that. We wouldn't want to do a forward projection on either growth or profit.

Madhav: But sir, just directionally, is it going to be like higher than the first half or like if you can just -- directionally, if you can give a picture based on what you are seeing currently based on the October sales...

Shankaran: See, we are seeing growth in the last 2 quarters. We continue to see growth, and we don't want to quantify anything in guidance at this point in time.

Moderator: Our next question is from the line of Praneet, who is an Investor.

Praneet: Congratulations on the great performance. So I was wondering, we had a substantial performance in both the brand and in terms of the exports. Could you give some more light on what exactly happened in both of these to have the super growth compared to the rest of the overall company?

And since, you mentioned that you have -- you're doing specific activities that are causing it to grow higher. Could you explain what are the specific activities? And in terms of exports, how much is the white label? Are we onboarding new customers? And could you explain more something on that also?

Venkatesh V: No, exports, like we said, exports is based on some of the demand generation that happened in Q1, but could not be sort of serviced because of logistics issues that we had from external environment. On a very small base, we seem to be doing business on exports, largely white label. So, I think I would take a cautious note on that as we move forward and the external disturbances in the global market from a white label perspective.

The other question, I think we did mention about the initiatives that you said. I think we've got substantial initiatives in both go-to-market as well as cost savings that is helping us sort of put some sort of a thrust area into the growth, which we believe will get sustained.

Praneet: Could you explain like what exactly is the go-to-market strategy? Because I understand some perspective on...

Venkatesh V: We said that -- we said at the conversations probably I think it will pick up a little later. I think we have -- I just sort of briefed the same thing over the last few questions actually.

Shankaran: See, the go-to-market aspects of it. And some are very, very competitive physical in nature, we don't want to -- because what we did in the go-to-market is we got covered every decision. We don't want to reveal what we are doing here. The result is there, and we directly we are right in taking the right kind of strategies.

Praneet: Understood. And in terms of the stores, do we have any growth minimum amount of stores you want to put up in a year what is the forecast? And how do we want to put up the stores? What's the strategy would be...

Shankaran: We want to expand in key potential markets. That has been our basic philosophy because the brand is very well recognized. So brand is going to definitely get more traction than a general store. Secondly, it is need-based. We have got a lot of analytics which place we want to open because putting a number amount of efforts may be not a right thing to do.

What we want to do is we want to use the opportunity where and how we would like to have a store, whether it is existing town or emerging towns, because towns are expanding. So we may lose some expanded space even in Bangalore or Chennai, but we put the stores. So it will be an advantage for everyone.

But similarly, Tier 2, Tier 3 centers, I think they're doing better towns now. So this is our opportunity. What we want to say is that there will be positive additions because their value is necessary depending upon the geography we are talking about. There will be net additions which could be significant as compared to what it was in the past.

Moderator: Our next question comes from Anubhav Goel from Cosma Capital.

Anubhav Goel: Sir, I just have one question. Sir, has BIS been any factor this year? Like has it impacted the supply chain for other smaller players? Because I hear that the implementation got pushed to next year?

Venkatesh V: No. BIS has been aggressive -- the standards of BIS has been aggressive over years in terms of requirements both in terms of finished goods as well as in terms of some of the sourced goods as well, source components as well. I think directionally, most categories in the appliances in which we work are coming under the purview of BIS and therefore, there's a little bit of stranglehold in terms of imports that's happening.

In the past, we've taken a very conscious call that most of our appliance business, we do it domestically. Our production is more domestic-oriented than import oriented. We are safeguarded in that respect, and we do believe that's the right direction from a country perspective. There is a little bit of pressure. Therefore, for the industry, we are relatively better placed in that position right now.

Anubhav Goel: Okay. Got it, sir. And sir, just wanted your thoughts on the vendor ecosystem in India currently for our range of products. So, do you see it aggressively double nothing to sort of replace imports from China?

Venkatesh V: No, the vendor ecosystem. So kitchenware, I think we're fully equipped. In terms of appliances, we have a long way to go as far as the vendor ecosystem is concerned. The scale of China will not be replicated in India overnight. That's going to take some time.

Having said that, I think there is a lot of effort that is now being put in to make sure that the scale-up starts happening now. BIS is one enabler to that. There are other areas around incentive schemes that are coming up. So, we are seeing offshoots of appliance ecosystem developing in India. To completely replicate that to the scale of what China is doing today will take time.

Anubhav Goel: And sir, last question, if you can share any color on how October has been?

Venkatesh V: No, the demand has been consistent. We're not seeing sort of demand reduction or it's not sort of a one-off, like I said. There has been a consistent demand generation in the market as well. Across different channels will have different dynamics in terms of inventory pile up. But if I were to look at from a demand perspective, there is consistency of demand that is now coming in across the months now.

Moderator: Our next question comes from the line of Natasha Jain from PhillipCapital.

Natasha Jain: I have just one question. First of all, congratulations on a good set of numbers. I want to understand, you mentioned in your opening remarks that you've done well, mainly because 50% of your portfolio is aligned to the GST rate cuts. But if we see hardly 7 to 10 days were there in a month wherein this could have been improved.

And then we must have even lost sales in that 5-week period prior to this implementation happening. Second, you said that a lot of sales did come through from e-com as well. Now what I understand is e-com is again a low-margin business. So, I'm trying to understand where exactly did we do a lot of cost savings, which led to such a sharp improvement in our EBITDA or for that matter, even gross margin?

Venkatesh V: No, I think, see, I wouldn't want you to take an isolated look at the quarter. And I don't want to sort of look at specific numbers to put it either in terms of a band or in terms of commitment. I would say 2 things directionally. One, over the last few quarters, there have been a lot of portfolio addition that we have done in specific set of kitchenware products, which lead to high margins. I think that's one.

There's been conscious portfolio adjustments that we have done in terms of our top line contribution as well. So, the gross margins would be a combination of product mix, a combination of specific high-margin products that accelerated the portfolio correction.

Of course, we are conscious about the fact that e-com continues to grow, and it is a low-margin business, but we balance the channel in such a way that we don't negatively get impacted by the channel.

So overall, I would say that's the way we're looking at it. With respect to specific observation on GST for a period of a week, we had a disruption from a billing perspective, but that sort of then gets equalized over a period of time. So, I think that's the way I look to the margin story. The margin story is a combination of portfolio management in particular.

Natasha Jain: Got it. So now that really explains the gross margin bit. So now coming to EBITDA, we also must have paid some consultant fee. And even after that, the EBITDA margin improvement is very sharp. So, any other thing in the P&L line item that probably we missing?

Saranyan: See, basically, when you see a double-digit growth on the top line, obviously, your EBITDA margin will improve. So, one, gross margin is helping us. The additional sales is also helping us to improve the EBITDA.

Shankaran: Basically, it's a productivity improvement. I mean, it's a productivity, productive per person, productivity for utilization of capacity, productivity in terms of money put in. It's a combination, right? If you like to consume more, only thing is our ability to see where cost can be saved, that is being saved.

Second, as MD put it, it's a question of the more mix of the product. The more we go towards value added products, our margin will improve. Because one second depends upon how the demand cycle going forward. Ultimately you have to balance everything. I cannot always selling only high, high margin products when there is a demand for low margin products also. Basically you have to look at the robustness and then measure our performance against the capital employed.

Natasha Jain: Got it, sir. And sir, now can we expect margins to be in the 11% to 13% range from this year onwards? Is that a fair statement to make?

Venkatesh V: Again, I don't want to go for a number perspective, but directionally, we would still continue to invest on some of our capability building in terms of brand building, specific category focuses. So, we do believe that we would have soft investments that will continue to happen as we have committed in our 5-year plan. Those investments will continue to happen. Parallelly, cost savings would flow in.

So, I think it's a combination of the 2 that would happen. But I think the point I would like to say is the investment cycle in terms of soft investments are still not over. And that's something that we will continue to keep invested from a futuristic perspective.

Shankaran: So there is some front-end costs that we incurred. The benefits follow in a couple of quarters later. That's sort of thing.

Moderator: Our next question is from the line of Mustafa Khedwala from Cube Investments.

Mustafa Khedwala: Sir, you mentioned in the remarks that the premium end of our portfolio has done well. So, sir, can you quantify it in terms of percentage-wise, like normally, I think we grew overall 10%. So, did that particular portfolio see a higher growth rate? And how much was it?

Venkatesh V: No. In our case, like I said, Judge in the mass portfolio, it continues to grow at 50%. Prestige is continuously getting the premiumization ladder up. So, it's a combination of both that's worked for us in the last few quarters. Prestige as a brand is very clearly seeing the opportunity of premiumizing the portfolio as well as the category.

Shankaran: See, we have about 1,000 SKUs. Some are high premium, some are low premium, some are mass products. Very difficult for us to quantify this with so many SKUs.

Mustafa Khedwala: Okay, sir. And sir, Judge brand, sir, can you quantify the amount of sales that we did in the last quarter, sir? It is remarkable that you did 50% growth, although on a lower base, but can you give us a sense about the sales we have done absolutely?

Saranyan: Yes, roughly around INR25 crores will be the sales around that for the quarter.

Mustafa Khedwala: And sir, this is sustainable basically?

Saranyan: Yes.

Venkatesh V: Yes, it is sustainable.

Moderator: Our next question is from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: Congrats on a great set of numbers. As I understand, we are back to double-digit growth as well as margin and there is no one-off in this quarter and the soft operational expense, what we are doing, it benefit is yet to play out. So it's fair to assume going forward, at least our growth and margin would be double digit. And once the soft operational expense is entirely over, we'll be back to mid-teens kind of growth and margin?

Venkatesh V: See, I think -- again, I don't want to commit a number. I would like to emphasize that I think the focus for us is on premiumizing the portfolio, sort of investing in from a future perspective in a couple of categories. Also being able to consistently deliver a double-digit top line growth because the productivity of opex goes up as the top line hits the 10% area, right? Are we very focused on a mid-teen profitability? That's -- that's not the prime pivot area that we're looking at. We're looking at premiumization of portfolio as the key strategy right now.

Keshav Lahoti: Got it. Understood. Last question from my side. One is on whether gross margin would be hit in the upcoming quarter because of rising aluminium prices? And secondly, what sort of expense you have done so far in the last 3 quarters on soft operational expense where kind of improvement you are thinking and when its result will start to play out?

Saranyan: Yes. On the gross margin, yes, as we had already mentioned in our GIST as well, I think that will have an impact in the margins in the Q3. So we have to wait and watch how we are able to manage that. With respect to the cost savings, yes, we are looking at across all the functions, across all the areas, the operations, right, from manufacturing, logistics, etcetera. So, this is where we are working on to look for cost reductions.

Moderator: Our next question comes from the line of Nikhil from SIMPL.

Nikhil: Congratulations on a good set of numbers. Just one clarification. During the call, you mentioned that the GT channel was going strong, but for us, because of our specific activities, it's not grown. Can you share some more light? And is the GST rate impact more on the GT channel versus the e-com and MT channel?

Venkatesh V: No, no. I think I just want to clarify. We have done reasonably well compared to the past quarters on general trade, backed by a few set of specific initiatives and efficiency drives that we have done in the general trade segment, right?

In terms of the GST implementation, general trade has gone through a little bit of a blip, which is very specific to the period of disruption that happened. At an overall level, the industry is still continuing to face pressures on general trade because of e-com, e-commerce challenges that the industry is facing. We have sort of been able to overcome that with specific change initiatives that we've got in the channel. So, overall general trade would be a slow growth channel. E-commerce and quick commerce continue to be hypergrowth channels.

Nikhil: Okay. And secondly, if you look at our growth, it's broad-based across all categories. You mentioned in the appliances, there were multiple new products which have seen a better growth. Can you share some sense on how is this difference between -- so is it largely driven on the e-com and GT -- e-com and MT in the newer products where the growth is taking place?

Venkatesh V: No. The channel growth has been uniform in the sense that like I said, e-commerce and quick commerce have been high-growth channels, followed by regional format stores, followed by general trade. It applies the same for appliances also. The small domestic appliance category grows much faster in e-commerce.

Moderator: Our next question comes from the line of Praneet, who is an Investor.

Praneet: I was just wondering about the MFI channel. I understand that our exposure has been minimized and there's not going to be further issue. But can you just quickly explain how is this particular channel structured and what happened? And what has led to the degrowth? And why do you think it might not rebound?

Saranyan: See, the MFI is primarily we were operating through the micro financial institutions, where we don't have any setup in the rural. I think they were using their strength in the rural to sell some of our products. But now with the issues that is going around in MFI, they have stopped buying or dealing in these type of products.

Praneet: When you mean micro finance institutions, like I could you, like how do you sell the product? So do they finance…

Saranyan: They buy the products -- they buy the products from us and then they sell it to their customers in the rural market.

Shankaran: They are aggregators and then find a way to sell to the various market, collecting installments. That has been the pattern. We don't have direct access to the ultimate consumer there, they are the intermediaries. The intermediary has problems on two accounts.

One, there was a regulatory issue which they were facing. Second, they are not able to get refinance from the major banks. Third, why they could not get it is because there was delinquency in the rural, because rural was suffering from sufficient income till last month.

So, whatever they had lent, they could not collect money. So, since they could not collect money, they could not pay their banks. So, there was a structural issue with this whole thing. The demand we were dependent on for quite some time for about almost INR140 crores, Slowly it went down, therefore, that particular demand is not there. The demand which, not dependent upon micro finance institutions, that would have gone into general trade, that's not going to get done. That base is no more relevant going forward. If it revives, that will be a bonus for us.

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

Venkatesh V: Thank you. I think thank you for an interesting set of questions, and we share the palpable excitement in terms of a good quarter, and hopefully look forward to sustained initiatives and growth as we move forward. Once again, thank you and for your patient hearing as well. Look forward. Thank you.

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