Management Discussion

Archit Shah - Analyst, 361 Capital Market Private Limited
Thank you, Tanya. Hello everyone and welcome to TTK Prestige Limited Q1FY27 earnings call. From the management side today we have Mr. Venkatesh Vijay Raghavan, Managing Director and CEO Mr. K Shankaran, Advisor to the Board and Mr. R. Saranyan, full time Director and Chief Financial Officer. I would now like to hand over the call to the management for the opening remarks post which we'll open the floor for Q&A . Thank you. And over to you sir.

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
Good evening. This is Saranyan here. Welcome you all for TTK Prestige Earnings Call for Q1. Before I hand over the proceedings to our Managing Director, Mr. Venkatesh, I just want to remind the participants about the Safe Harbor clause. The discussion and the presentation today may contain certain statements which are futuristic in nature. Such statements represent the intentions of the management and the efforts being put in by them to realize certain goals. The success in realizing these goals depends on various factors, both internal and external. Therefore, the investors are requested to make their own independent judgments by considering all relevant factors before taking any investment decision. Thank you, and over to you, Venkatesh

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Good afternoon, this is Venkatesh here. As we get into the quarter call, let me take you through our view on the general economy and then specific to our industry and company. This quarter again, we did face issues around the global uncertainties of Middle East political tensions and also higher energy prices as a fallout of that. Also in terms of higher commodity pricing in a large number of industry segments as well. Overall, the quarter continues to be, across industries, seems to be a little bit of uncertainty driven by global uncertainties, increased regional divergences that are happening, and that seems to be having an impact as we look at some of our cost and supply chain related areas as well.Exports continue to be a little muted because of this in terms of supply chain disruptions. I am sure that's not specific to our industry, but that's across the country as well as in other areas. The Indian Rupee weakening had its impact, and I think that's something that needs to be watched out for.

Amongst this, I think we would say, and personally and also from a view overall, I do believe that the country is certainly going through a little bit of turbulence from global volatility, but is standing out in terms of its resilience and its ability to be able to sort of respond to some of these changes. I think that sort of augurs well for industry people, and that we believe would probably continue to be a cornerstone for many industries and for us as well as we move forward.

Specific to the industry, the quarter has been a good quarter for the industry. On the follow-up of what happened in Q4, Q1 has been a very robust quarter which has seen a significant demand generation for the industry, and this has been across channels, across categories. It sort of has brought back a robust demand generation curve to the industry, and I hope this augurs well for the future as well.

There have been challenges on the cost side, mounting pressures on commodity pricing and therefore input pricing, particularly in kitchenware and also across some of the commodities in appliances as well. These mounting pressures are significant and would be impacting some of the cost structure. At large, I think the industry is passing on the cost increase to the consumers, and that's something that we've seen in the past and I think that would sort of continue.

The impact of that on volumes is to be seen, but the current quarter, if you were to go by, seems to be very robust on demand, partially driven by a situation where people have sort of upgraded their kitchen, gone for accelerated purchase of cookware in particular and appliances in particular. As appliances start getting sold more, I think the smartification of the kitchen continues to be one agenda that is strongly happening, followed by premiumization as well. That's from an industry perspective.

Specific to the company, I think we've had a very good quarter. We've been able to capitalize on the opportunity of demand generated, and we do believe that we've been able to do justice to fulfilling the demand. The work that we've done over the last two years in terms of process transformations, product transformation, also in terms of increasing our internal capabilities is holding us in good stead in meeting this demand surge very efficiently. That's probably reflecting in the numbers as we speak for the quarter.

Overall, the quarter has been a very good quarter, a very balanced quarter across categories including cookers, cookware, appliances. Some part of appliances has seen a little bit of a muted growth, but that's quite natural given the way the categories are placed. At large, the growth has been significantly high.

As a company, we've also seen some of the benefits of the cost initiatives that we've driven in the last few quarters consciously are starting to yield results. We do believe the scale of which will continue to happen. On one side, while we have pressures on the cost because of input margins, we sort of holding them to be able to work against them by our own internal cost initiatives across functions, and also be able to meet the demand with a robust supply chain transformation, and that's probably leading us to the growth as well.

We do hope that this would continue, while we do believe that this is not a sustainable persistent demand. The demand would probably settle at a slightly higher level than before in our view, and that I think would augur well for us and for the industry as well.With that, I'll probably open up the conversation. Given that the numbers are available with everybody to read, we would probably take up the questions and answer some of the financial numbers also through the questions as well. Over to you. Thank you.

Operator
Thank you. Thank you very much. We will now begin the question- and- answer session. [Operator instructions] The first question is from the line of Parth Soda from Trinetra Asset Manager. Please go ahead.

Parth Soda - Analyst, Trinetra Asset Manager
Am I audible? Hello?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
Yeah, you're audible.

Parth Soda - Analyst, Trinetra Asset Manager
So good evening and thank you for the opportunity. Sir, my question is the company has over INR870 crores of free cash despite ongoing investments. Beyond the announced capex, how should investors think about capital allocation over the next two to three years?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Your voice is little muted in the last part. Can you repeat the question please?

Parth Soda - Analyst, Trinetra Asset Manager
Yes. So the company has. Am I audible? The company now has over INR870 crores of free cash despite ongoing investments. Beyond the announced capex, how should investors think about the capital allocation over the next two to three years?

Questions & Answers

K. Shankaran - Advisor to the Board, TTK Prestige Ltd
If you remember, one year back we announced a total investment outlay of INR500 crores, both on soft and hard expenditure. We have spent only one-third of it till now. So, balance INR300 crores plus will be spent over the next two years. Of course, there are cash acquisitions also. In these days of volatility, it's better to keep some cash free with us. The allocation will be on the items already referred to on the INR500 crores.

Parth Soda - Analyst, Trinetra Asset Manager
Got it. Thank you so much.

Operator
Thank you. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta - Analyst, India Infoline Group
Hi, good afternoon, and congrats on a very good set of numbers, and thanks for taking my question. There has been a steady commodity inflation across the board. What is the quantum of price hikes that you have taken in this quarter? How much of this 33% growth is coming from price hikes, and how much of the current inflation that you are seeing is already expensed out in Q1, and how much is remaining to be seen?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
On the price hike, of course, we have done during this quarter. The impact is minimal during this quarter, primarily because, though we did the price increase, the revised prices reached the market only during the fag end of this quarter. So out of this 34% what you are seeing, it's only around 3% is actually the price hike, the rest are all volume growth. That again across all the categories as well. Of course, there is some also due to the mix change, because we are also seeing some of the value-added products getting sold better during this quarter, so that is also one reason for that. What was the second question, I....

Sameer Gupta - Analyst, India Infoline Group
No, no, this is part of the first question only. So one then how much total price hikes have you taken, even if it's only 3% for this quarter, overall what is the price hike quantum, and what is the kind of raw material inflation that you are facing?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
So It depends from product to product; it is anywhere between 5% to 8%, it may vary, the price hikes. But it depends on each category, each category it differs.

Sameer Gupta - Analyst, India Infoline Group
And the RM inflation, sir, your basket overall?

Saranyan Rajagopalan - Wholetime Director And Chief Financial Officer, TTK Prestige Ltd
The RM inflation is anywhere average is around 8%.

Sameer Gupta - Analyst, India Infoline Group
Okay. And second question is on the growth this quarter. There has also been some specific categories which might have seen higher demand, which is very specific to this quarter given the geopolitical issues and LPG issues. So if we were to strip out those, like induction cooktops--that's the only one that comes to my mind, but there could be more--if we were to remove that, what would be the revenue growth this quarter, or any kind of general color that you can give on this aspect?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
While I don't want to be very specific on that, if you were to look at the numbers, unlike the last quarter where there was a disproportionate growth impact because of induction, this quarter the growth has been significantly distributed across categories: induction cooktops, small domestic appliances, air fryers, cookware, cookers. It's been uniformly distributed across categories.

Sameer Gupta - Analyst, India Infoline Group
Sir, then is it a case of channel up-stocking before the impending price hikes, because there has been a sharp acceleration in the growth trajectory, and normally, unless exceptional circumstances like more people spending time at home like we saw in COVID, what should be the reason for such a sharp acceleration?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Our belief is there is a minimal impact of up-stocking. We are not saying that up-stocking is completely ruled out, there is, but for the quantum of growth that we are seeing, up-stocking is not the primary driver of growth. That's one thing that is very clearly coming in from the consumption pattern. I think what we believe is that the current scenario where consumers have walked in to buy more induction cooktops, they've also looked at the new set of cookware, the new set of appliances. This has been a vibrant industry where, one, competitive intensity is high; second, a lot of people have started getting new products in; third, Prestige, after almost a very significant gap, in the last 1.5 years has introduced close to 400 to 450 SKUs. So what's happening essentially is I think the walk-ins and the searches have increased, and this has led to more buying combinations of cookware and appliances to the kitchen.I would tend to believe that this is a trigger, and one of the reasons that we believe this is happening is we do have partial visibility to the tertiary trends that are happening in the market through our own stores, and that's been robust enough. So our belief is that, while I mentioned that it's not a sustainable growth, this is something that has been triggered off with consumer behavior, and I think it's a one-time effort that consumers have put in to refurbish their kitchens.What started as just the induction cooktop has probably spread across all categories. Having said that, we've not seen this in some categories which are not necessarily impulsive in nature; those categories have not necessarily seen significant growth. So to that extent, I think this is something that has happened from a consumer-driven perspective rather than up-stocking in our mind.

Sameer Gupta - Analyst, India Infoline Group
Got it, sir. I'll let others ask, I have a few more, but I'll come back in the queue. Thanks.

Operator
Thank you. [Operator Instructions] The Next question is from the line of Praneet from SJ Investments. Please go ahead.

Praneet - Analyst, SJ Investment
Hi, sir, thank you for the opportunity.

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
No, your voice is muffled. Your voice is a little muffled. We're not able to hear it properly. Did it be a little slow? Probably?

Praneeth - Analyst, SJ Investments
Yes sir. Is it better now?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Yeah, it's better.

Praneet - Analyst, SJ Investment
So I was asking, referring to your answer from the previous participant that you mentioned that there's a lot more visibility of new product. The consumers are increasing the amount of wallet spend they do at your at Prestige. That's the reason of most of the growth. Could you explain what caused this increase in visibility or increase in footfall into our stores or something like that? Is it the higher number of stores? I just wanted to understand what suddenly changed in the last quarter over last year that the visibility increase and all of that because we've been introducing for the last two weeks one, one and a half years. Right. What changed in this quarter specifically?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
So I would not see this as a one-quarter blip; I would see it as a consistent effort that's gaining visibility given the quantum of growth right now. Two things that have been very clear from a company perspective: we've strengthened our counter shares across the large outlets where we were probably having a diluted presence in the past, either because of portfolio gaps or because of our own distribution gaps; that has got strengthened.We've increased our reach for a lot of categories; while cooker has been a well-penetrated, distributed category, we've actually increased the reach of all subcategories in cookware and appliances using our cooker channel as well. So from a company perspective, that's the second one that we're seeing, incremental reach that is getting demonstrated as we move forward.The third, of course, like I said, is the full-fledged impact of the portfolio being made available across all these stores. Launching new products and getting them to be distributed across the length and breadth of your distribution chain takes a little bit of time. I think that's something that's now fallen into place as well.Internally, we do believe that our distribution initiatives have significantly borne fruit, while we continue to be demonstrating robust growth in e-commerce and modern trade as well. So our omnichannel focus with a very specific ramp-up across general trade has helped us sustain this growth, and combined that with the demand generation that happened, it's probably come to the benefit of the company

Praneet - Analyst, SJ Investment
So for the full year, where do you think you'll end up at in terms of volume and value growth?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
We don't want to give any forward guidance on that. We are confident of robust growth, but I would leave it at that at this point of time

Praneet - Analyst, SJ Investment
So would we continue the current trend of this quarter or would it be a little lower?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
No, I think directionally, I would tend to believe that for the industry and for us, it would be lower, but I don't want to give any specific numbers. It will be better than last year, definitely better than last year.

Praneet - Analyst, SJ Investment
Understood, sir. In terms of competitive intensity in the market, what are we exactly doing? Are we focusing on price or just portfolio at this point of time in terms of competing in the market right now?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
We are very clear: our focus is very clearly on premiumizing our portfolio. We have sharp-shot on a few core categories where we are either leaders or we are potential leaders, and we tend to focus on those 6 to 7 categories very clearly. Premiumization is the way forward that we're looking at from this perspective--premiumization demonstrated by product portfolio, new design-led or new feature-led premiumization laddering, and pushing the brand power of brand Prestige in the whole game. Pricing is not our--we're not looking at pricing as a strategic lever from either a discounting perspective or scheme involvement perspective at this point of time

Praneet - Analyst, SJ Investment
Understood, sir. A good metric to track is probably instead of volume growth, it's the value growth also because we're premiumizing over the next few years.

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Yes, we would tend to believe that directionally our value growth should be higher than our volume growth over a period of time.

Praneet - Analyst, SJ Investment
Understood, sir. Would the volume growth be in line with let me say our inflation numbers or would it be higher than that?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
It would definitely be higher than inflation numbers, but I wouldn't want to give specific guidance, but directionally it would be higher than inflation numbers.

Praneet - Analyst, SJ Investment
Understood. When you're premiumizing, can we expect a higher margin then than in the past, probably where we peaked around 14-15%? Is it possible in the next few quarters we could exceed that because we are increasing our premium portfolio?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
So I think I wouldn't want to answer that specific direction. We continue to invest in what we believe would be future accretive, so our focus currently is not so much on the profitability bands as much as on stabilizing the business, premiumizing the portfolio, and of course the portfolio gets its view from a profitability perspective. But our overarching principle is to invest in the right direction, like Mr. Shankaran said, we continue to invest in another 1.5 to 2 years of investments that we do foresee that will happen.

Praneet - Analyst, SJ Investment
Got it, sir. Last question regarding our UK subsidiary: what's our exact plans with that, do we have any plans of growing or do we probably want to close down operations? Where are we at right now?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
No, they are doing their best in the current condition what UK and Europe is in. They are expanding to other markets as well. So they are doing their best to do whatever the current condition is, and I can assure you that they are doing much better than many of the players in UK. So at this point of time, there are no other thoughts at our end.

Praneet - Analyst, SJ Investment
So you'll see on how it goes? Right now there's no decisive decision on closing it down or growing it specifically?

Saranyan Rajagopalan - Wholetime Director And Chief Financial Officer, TTK Prestige Ltd
They are doing their best. I think they are not taking away any resources from us, they are not spending any management--they're not taking away our management time as well, it's being managed professionally by a professional team there. They're doing the best what they can do, and they'll continue to do that

Praneet - Analyst, SJ Investment
And with regards to kitchen business in India, how are we planning on scaling? Do we want to scale it substantially or will we just let it grow at its own organic pace? Do we want to put further investment into it?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
We will come back on this specific a little later, please.

Praneet - Analyst, SJ Investment
Understood, sir. Thank you, that's it from my side.

Operator
Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi - Analyst, ICICI Securities
Thanks for the opportunity. Just in terms of market share, where TTK would have ended the June quarter, will it be a significant market share gain, and what will be the indicative industry growth in the June quarter? Also as far as July is concerned, whether a similar trend has continued, or you have seen some slowdown in the revenue growth which was visible in let's say March to June kind of period? That's question number one.And secondly, now with steep increase in commodity prices,

price hikes have also happened, so has that resulted in some impact on affordability, and the continued price hike may hurt the volume at least at the bottom end of the pyramid in H2, will that be a right assumption to make?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Our market shares have steadily increased. We do believe that this quarter also we would have gained market shares in specific segments. To that extent, I think it's been a robust quarter for us with gains from market share. We do believe that overall the industry has been robust; the extent of the industry growth is something that I can't comment on at this point of time, but it has been robust. In our view, it has been equally robust, so to that extent industry's seen a positive growth like in Q4, it's seen a positive growth in Q1 as well.We continue to gain market shares in very targeted segments, and we are consciously driving market share as one of the cornerstones for us to make sure that we gain a fair share of the market as well. That's broadly what I would say from a share perspective. The segments that we operate in, from Prestige perspective, the segments that we operate in we are seeing significant market share gains as a brand, and that's quite heartening for us to say.On the cost side, there are significant bump-ups. Like Mr. Saranyan indicated, there is a 5% to 8% increase in the overall cost pricing that we would see, which is getting passed on to consumers in a phased manner.Some of the segments are able to absorb it, some of the segments based on past historic trends may not absorb it, but at an overall level, we believe that the industry is absorbing this and it might have a slight impact on volume short term, but it should even out over a period of time. Because a large part of the industry growth is being driven by premiumization today and by upgradation of categories today. So to that extent, I think that should not dampen the volume growth at the segments that we are operating in.Having said that, we don't operate in deep-cut price points which may be the real mass market or the rural market in our view. Prestige as a brand does not significantly operate in those markets; we operate in those markets at a slightly higher premium. So there probably some of the players might face pressure when they start passing on the benefits to consumers. Now that's an independent segment; our view is that segment probably would go through a little bit of volume pressure going forward. We are not playing aggressively in that segment.

Aniruddha Joshi - Analyst, ICICI Securities
Sure, sir. And this trend has continued even in the July month also?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
No forward looking from that perspective, but demands have been robust, demands have been robust than usual, it has been robust

Aniruddha Joshi - Analyst, ICICI Securities
Okay, sure, sir, that's very helpful. Thank you.

Operator
Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda - Analyst, Lucky Investment
One question on, do you see continuation of footfalls on account of purchase of induction cooktops ongoing still? Because bulk of the sold demand push is also due to the fact that people were forced to go and buy an induction cooktop, in view of which they must have bought some other products.

So do you see that still continuing?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
So I think for the category as a whole, induction cooktop has seen continued robust growth. In fact, these last 4-5 months have become cornerstone triggers for the category which otherwise was actually sort of growing but not at a rapid pace, and the penetration of induction cooktops in the country is low. So our view is that this has been sort of a cornerstone event that has happened; it will continue to propel the awareness of the category and therefore the adoption of the category.The induction cooktops are definitely becoming one reason, continued reason why consumers are walking into stores, walking into our retail channel, looking at e-commerce more robustly. Combine this with a very robust cookware category premiumization that's happening, I think a combination of that is happening today.So I would say larger forces are working, the trigger being from induction cooktop, but continued focus on other categories as well, that seems to be the growth trigger right now. And it would continue in our view; it may not be as robust as what this quarter is, but it will definitely continue to be pushing the walk-ins for sure. That's the way we look at it.

Pritesh Chheda - Analyst, Lucky Investment
So it's actually become like, you know, a trigger point for consumers to be brought in to purchase.

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Yes. Usually

Pritesh Chheda - Analyst, Lucky Investment
one gives discount and they come in, this time it is an external event and they've been triggered to purchase it.The other thing is this price cut after GST and then this price rise because of the raw material costs. So now pre-GST and the current, what will be the pricing, is there still a lower price versus pre-GST or we have largely recouped everything?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
The current price increase would have taken the price a little higher than the GST rate, because the commodity increase has gone up by 8% to 10% average, so we are more or less at the pre-GST change.

Pritesh Chheda - Analyst, Lucky Investment
So for a customer, as a price imprint, it will not be a significantly higher imprint, right? He is used to a certain print pre-GST. Yeah, so it is not that much price elastic of a product. We are operating not at the bottom of the pyramid; we are operating above the bottom of the pyramid where these price increases are not that kind of a trigger to not to purchase.

Operator
Thank you. The next question is from the line of Kunal [Phonetic] from 361 Capital. Please go ahead.

Unidentified Participant
Yeah.Hi, thank you for the opportunity, sir. I just wanted to understand, while this quarter definitely has some acceleration, we've seen some consumer demand coming back and we have also introduced 400 new SKUs over the last several quarters, so what is the steady state growth over the next probably year or 18 months one can look at because of all these tailwinds?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
We would be happy to keep reporting some numbers like this, but I think we would leave it for the future. We don't want to give any guidance. Directionally it would be much better than in the past, that's something that I would leave to that. I think it would be better than single digits

Unidentified Participant
Sure, sir, I appreciate that. Probably anything that we are working with in terms of we actually achieving growing at let's say 1.5 times industry growth, or we are taking it more directionally?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Our endeavor, like I said, is strongly entrenched around gaining market share. I don't want to put a number of 1.5 or 2 or 1.1 to it. I think our direction is very clear: focus on the consumer, focus on the consumer and therefore the consumer experience, which then is driven by clear premiumization of the portfolio, is driven by a wide range of choice available to the consumer omni-channel, is driven by more innovative products across the 6-7 categories that we're bringing in.When we do this, the combination of this and a very strong, robust go-to-market that ensures that our counter shares and our counter presence is significantly enhanced. The moment we are able to do this, I think it will result in market shares and therefore a definitively higher growth in the market which will reflect in the market shares as well. So we would believe that we will grow faster than the market and continue to gain market shares.

Unidentified Participant
Sure, sir. A related question, when we say the share of premium products as we define it, how much would be that share as a percentage currently?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Prestige operates largely in what we do believe is a mass-premium, premium pricing. What you would typically call as mass pricing, Prestige contribution would be very less, and that's by design. The portfolio design and the pricing is in such a way that our presence in that is not very high. So we tend to focus on the mid-belly and the top end of the mid-belly, and that's something that we believe is at a premium to the market at this point of time. Even within the segments we participate, we are at a premium to some of the competition as well. And that we believe the brand can--the brand has the power and the strength to sustain that. We will increasingly focus on also bringing in new product designs and new innovations that justify that premiumness as well.

Unidentified Participant
Sure, sir. Thank you so much, sir, and best of luck for the future.

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Thank you.

Operator
Thank you. The next question is from the line of Nikunj [Phonetic] from Daulat Capital. Please go ahead.

Unidentified Participant
Thank you for taking my question, and congratulations on a good set of numbers. My question is on the CSD channel. Have we seen recovery in the CSD channel as well, and what is the contribution of

exclusive retail outlets to our overall sales, and also the contribution of induction cooktops to overall sales?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
On CSD, we haven't seen the demand come back, but it has sort of stabilized after a bit of a drop. CSD as a channel is yet to sort of fully recover from the past changes that have happened, partially due to their internal restructuring in terms of supplies and other stuff. So to that extent, CSD has not yet fully come back as a channel. It is, however, not dropping any further; it has sort of stabilized. That's the way we would look at CSD.On induction and Prestige Exclusive Outlets

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
On PXL, we have around 18% to 20% of our sales happens through the PXL, our own exclusive stores. The induction, I would look at around 8% to 10% of our sales comes from the induction

Unidentified Participant
And sir, what was this 8% to 10% contribution which is currently in induction, what was this earlier, like a year back?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
No, It used to be 5%, it has gone to 8% to 10% now.

Unidentified Participant
Okay, got it. Thank you.

Operator
Thank you. [Operator Instructions] The next follow-up question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta - Analyst, India Infoline Group
Hi, sir, and thanks for taking the follow-up. Firstly, there have been some minimum wage hikes which have been announced, and one of them are in the state of Karnataka, so I believe there is a decent exposure we have in terms of manufacturing. What kind of impact are we seeing or do we foresee because of these hikes, and not only reflective in staff costs, but also probably in the raw material basket given vendor costs would also go up, and how much of it is already there in the expenses for this quarter?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
The minimum wages increase is not just restricted to Karnataka, this has been happening one by one in all the states. In Karnataka, we don't have any major operation either for us or for our suppliers. But there are a few states where we are present; yes, the minimum wages have gone up, which is primarily not to the permanent workmen where we are well above the minimum wages. Even in the case of contractors, we are well above the minimum wages, but unfortunately the wages increase has been substantial this time, we have corrected those wages wherever this has been implemented.

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
We would tend to believe that this is something that state after state has been implemented now, and it would have an impact, but we are sort of mitigating them through our own internal cost initiatives and efficiency drive.

Sameer Gupta - Analyst, India Infoline Group
Got it. And second question, sir, is the quantum of INR12.4 crores within other expenses, there has been a steep decline here. Is there a change in our strategy, or is this more of a quarterly thing to offset the overall inflationary pressures?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
The INR12.4 crores what you are referring to is strategic related expenses, this is what you are comparing?

Sameer Gupta - Analyst, India Infoline Group
Yes.

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
Yeah, that is not any fixed amount that we will be incurring quarter after quarter. So this may go up and down during the quarter depending on whose support we are taking, what exactly we are doing. So this is not a number that you can stick on quarter on quarter. Next quarter it may go up or come down as well. We are budgeted to spend around INR200 crores in 3 years' time, that's what is going on right now.

Sameer Gupta - Analyst, India Infoline Group
Very clear, sir, that's all from me. Thanks a lot and all the best.

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
Thank you.

Operator
Thank you. [Operator Instructions] The next question is from the line of Anand Mudra from Soar Wealth. Please go ahead.

Anand Mudra - Analyst, Soar Wealth
Good evening, sir, and congratulations on good results. Wanted to understand the breakdown of this INR200 crores extra expenditure which we are incurring for 3 years. How much of it will be routed through P&L, what is the capex out of this, and why it cannot be called as a regular routine expense, why we are saying this as a one-time, sir?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
Right. I think we have budgeted around INR500 crores to spend across 3 years; this is primarily to strengthen the company for future growth opportunities, which is what we had mentioned to stock exchange also in January/February last year. Out of that INR500 crores, INR300 crores is towards capex, which includes improvement in the factories, automation, digitization, etc.. Then the balance INR200 crores is towards the opex expenditure, taking some external support to strengthen our innovation, go-to-market, cost efficiencies, etc..So this is--we have planned to incur only for--this is not a regular expenditure, this is a one-time expenditure we will be incurring over a period of 3 years. That's one of the reasons we are just calling it out as a note to our financials, saying that what exactly we have incurred against that INR200 crores what we had mentioned to the stock exchange or to the investors.

Anand Mudra - Analyst, Soar Wealth
So this INR200 crores doesn't include any one-time advertisement expense or--?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
No, no, no. This has nothing to do with advertisement. These are all from external support experts that we will be engaging, we will be incurring some one-time expenditure to strengthen some of our processes. So these expenses are towards that.

Anand Mudra - Analyst, Soar Wealth
And how much out of this INR200 crores has already been spent, sir?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
We have spent close to around another INR120-130 crores in the last 18 months.

Anand Mudra - Analyst, Soar Wealth
And balance INR70 crores will be done in the next 20 months?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
We will be doing that, yes. It may go up and down; we are not saying that INR200 crores exactly will be spent, or we restrict our spending to INR200 crores. That depends on what exactly is the requirement at that point of time; the indicative number is around INR200 crores

Anand Mudra - Analyst, Soar Wealth
And sir, what we would be achieving after spending this INR200 crores, sir? What is the target EBITDA margins or how the company will change, what would be the benefit, anything tangible you can share?

R. Saranyan - Whole-time Director & Chief Financial Officer, TTK Prestige Ltd
Internally we have kept all key KPIs to which we are working towards, but we don't want to share that in the call. The idea is to get back to the EBITDA margin what it used to be before, 13-13% plus percentage

Anand Mudra - Analyst, Soar Wealth
Understood, sir. Another question, there is an induction cooktop sales increase which has increased from 5% to 10%, but other products have also done well. One reason can be GST cut in cookers, so because of which unorganized to organized movement has happened. Any other reason which you see, the spending has gone up in the last two to three years as compared to last two to three years, and we have reported good growth in this quarter?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
All categories, particularly cookware and cookers, are seeing a shortened replacement cycle, and a lot of cookware and cookers are now getting on to stainless steel tri-ply sort of material, which has been sort of impacting the replacement cycles to shorter, accelerated replacement cycle. That therefore is one of the triggers for the long-term growth of the category.In appliances, we are very clearly seeing there is a move to convenience, move to smartification of the kitchen like I mentioned. So we're seeing a host of new appliances or appliance category penetration going up beyond the regular traditional mixer grinders or some of the other elements of appliances.So you'll see a combination of appliances, small domestic appliances, and a few new appliance categories which help on convenience and smart cooking. We see a very clear accelerated replacement cycle of cookers and cookware--cookware driven by premiumization and aesthetics, cookers driven by material upgrades that are happening today. So across categories, this is something that's driving

the walk-ins and the growth which got accelerated or compounded last in the last quarter.

K. Shankaran - Advisor to the Board, TTK Prestige Ltd
As far as our company is concerned, while general industry trend is to ride on these waves, as a company we almost introduced 100 to 200 SKUs which were not in our portfolio 2 years back. That's one of the reasons the company is growing at a greater speed as compared to the industry.

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
So we've sort of ramped up our new product launches, and therefore that's also helping us, and we do believe the challenge of making sure that these continue to scale up is there, and that's something that we will address through our go-to-market initiatives.

Anand Mudra - Analyst, Soar Wealth
Noted, sir. One last question on induction cooktop, how do you see the sales growth going forward as large part of the crisis is over hopefully so?

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
I think it would be much better than what it was in the past. This particular 4 to 5 months trigger has sort of opened up the category awareness and hence also the need for induction cooktop to the household. The penetration curve of this category in my mind will start to accelerate, and we are leaders in this category. So we do believe that we will benefit as the penetration increases; we are also equally working on making sure that we accelerate this penetration curve as well. So we would continue to do this as we've done in the past. In our mind, the category should continue to grow well, not as aggressively as in the last 3-4 months, but definitely much better than what it was in the past.

K. Shankaran - Advisor to the Board, TTK Prestige Ltd
The potentiality, induction cooktops are trying to place in every kitchen who has already got a cylinder or a gas stove. So basically people now found their utility for that. Whether the same pace will continue we do not know, but over a period of time the growth will be there. It is one of the key product categories to watch.

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
This category would have a significant penetration drive

Anand Mudra - Analyst, Soar Wealth
Okay, Thank you, sir, thanks a lot.

Operator
Thank you. [Operator Instructions] . As there are no further questions from the participants, I now hand the conference over to the management for closing comments. Thank you, and over to you, sir.

Venkatesh Vijayaraghavan - Managing Director & Chief Executive Officer, TTK Prestige Ltd
Thank you for a very engaging conversation. We are quite happy with the sort of results that we've been able to display, efforts that have sort of borne fruit through internal transformation, external consumer-focused initiatives, and a large amount of drive that's happened on the go-to-market side as well. It augurs well, and we do believe that it will continue to be so. Thank you, and all the best

Operator
[Operator Closing Remarks]