TTK Prestige
LIMITED

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May 28, 2022

National Stock Exchange "Exchange Plaza", C-1, Block G, Bandra- Kurla Complex, Bandra (E), Mumbai – 400 051.	BSE Limited 27th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001.
Scrip Symbol : TTKPRESTIG	Scrip Code : 517506

Dear Sir,

Sub: Extracts of Board's Report – 2021-22

Kindly find enclosed the extracts of Board's Report approved by the Board of Directors for your records.

This is for your information and records.

Thanking you,

Yours faithfully,
For TTK Prestige Limited,

K. Shankaran

K. Shankaran
Director& Secretary

TTK PRESTIGE LIMITED
EXTRACTS FROM BOARD'S REPORT –FY 21-22

FINANCIAL RESULTS (STAND ALONE)

(Rs. in Crores)

		2021-22	2020-21
1	Sales (Net of discounts)	2532.15	2033.05
2	Other Income	34.98	27.53
3	EBITDA (Before Exceptional Items)	441.21	342.17
4	Profit Before Tax and Exceptional Items	395.52	301.18
5	Exceptional Items	-	11.90
6	Profit Before Tax	395.52	313.08
7	Tax Provision	101.87	77.94
8	Profit After Tax	293.65	235.14
9	Other Comprehensive Income	(0.73)	(0.21)
10	Total Comprehensive Income	292.92	234.93
11	Transfer to General Reserve	29.00	23.00
12	Surplus carried to Balance Sheet	263.92	211.93

REVIEW OF PERFORMANCE/HIGHLIGHTS

- The economy that was severely impacted during most part of the first quarter due to second wave of Covid-19 pandemic, showed recovery from second quarter of the year. Again, it showed some strains from end December 2021 due to outbreak of omicron which was compounded by geo-political conflict since end February 22. Except for Q1 where online channel was the most active due to partial lockdown, all channels became active from Q2 including rural channel. Unfortunately, again in Q4, the Omicron outbreak was a dampener. There was also pressure on consumer spending due to inflation as well as alternate avenues for spending like travel &tourism, fashion etc. The pent-up demand factor was also missing as compared to the previous year. Against this backdrop your Company by a judicial mix of products, channel presence and market penetration achieved a growth of 24.5% registering an all-time top-line of Rs.2532 crores. Export business grew by 37% to reach an all-time high of Rs.98 crores in spite of container shortage and other logistic constraints.
- Your Company remained focussed on digitalization of sales process and innovative marketing strategies which helped it to maintain robust sales during the year. Your company has enlarged its customer base in rural, large-format and online channels thus de-risking from dependence on a few customers in each of these channels.

- Your company launched various innovative products in all categories during the year including Svachh range of Gas Stoves. Pressure cooker category on Svachh platform continues to gain momentum.
- The Year witnessed a continuous increase in costs of all inputs – be it commodity or power & fuel or movement of goods. Your Company also nursed idle costs to the tune of Rs.4 crores during Q1 due to the lock-down caused by the second wave of Covid. However, your Company was able to maintain a healthy margin through improved efficiencies in operations and appropriate price increases without impacting customer sentiments and market share. Despite pressures on various costs of operation, your Company delivered an all-time high EBITDA (before exceptional items) of Rs 441 Crores with a growth of 29% (PY Rs 342 Crores) and Profit before tax at Rs 396 Crores with a growth of 26% (PY Rs 313 Crores). Operating EBITDA margin significantly improved to 17.4% (PY 16.8%).
- The depreciation charge was higher at Rs 41.7 crores (PY Rs 37.9 Crores) due to investment in fixed assets.
- The Net Profit after Tax was higher at Rs 293.65 Crores (PY Rs 235.14 Crores).
- The standalone EPS (face value of Rs 1/-) was at Rs 21.18 (PY Rs 16.96); a growth of 24.9%
- As stated in the past years, your company does not follow a stand-alone margin led policy but is focussed on growth with a fair long-term return on capital employed. Operating ROCE stood at 41.7% (PY 38.2%).
- The Company is debt-free and carried a comfortable free cash of around Rs 700 Crores (including short term Liquid investments) as on 31st March 2022.
- The consolidated turnover and profit before tax of the Company and the UK subsidiaries amounted to Rs 2723 Crores (PY Rs 2187 Crores) and Rs 411 Crores (PY Rs 323 Crores) respectively.
- The factory at Khardi which was under lock-out since November 2020 resumed its operation by end of August 2021 pursuant to a long-term settlement entered with the workers with improved productivity norms.
- As you are aware your Company took a decision to stop import of products from China effective October 2020 and developed most of those products with manufacturers in India. While this had some impact during last year, the process of indigenisation has been completed during the year. Your company has taken several steps to augment capacity, maximise existing utilisation of machine and also improve efficiencies.
- During Q4 your Company made a strategic investment in Ultrafresh Modular Solutions Ltd (Ultrafresh) engaged in the business of Modular Kitchens and kitchen appliances having many franchisee outlets across India.
- Your Company, during December 2021, split the face value of the equity shares of the Company from Rs 10/- per share to Rs 1/- per share to facilitate larger shareholder base, to increase the liquidity and to make the shares more affordable to investors.

Your Board of Directors consider the performance as admirable given the tough external environment. Your Company continues to maintain its leadership share in value terms across major product categories. Your Directors are happy to recommend a final dividend of Rs.3.50 per share for FY22 totalling to Rs.6.00 per share of face value Rs 1/- each for FY22 including the interim dividend already paid. (PY: Rs 5 per share of face value Rs 1/- each).

MANAGEMENT'S DISCUSSION AND ANALYSIS

A. ECONOMY / INDUSTRY SCENARIO

General Economy: As mentioned in the highlights, the pace of economic recovery was impacted by the recurrence of Covid as well as the geo-political tensions. The economy had also seen unprecedented price increases in various commodities impacting the prices for all the materials. Private Final Consumption index continues to be lower than the FY 19-20 levels. Both wholesale and consumer price indices reflect high inflationary trends. The real GDP for FY 22 is expected be in the order of 8.6% as against the expected 9.2%. While globally many countries are still reeling under the impact of Covid 19 and facing recession, India has successfully stayed above the crisis through effective vaccination programme and management of the pandemic. Good monsoon has aided the agricultural sector. The travel and hospitality industries have gained momentum from the second half of FY 22. However, the Russia- Ukraine conflict is causing uncertainties as well as inflationary trends in items of day-to-day consumption. Further, container shortages and resultant higher freight costs continue to be a big impediment to shipments for exports as well as imports.

Industry: Your Company predominantly operates in the Kitchen & Home Appliances segment with a wide range of product categories. The product categories broadly consist of Pressure Cookers, Cookware, Gas Stoves, and Domestic Kitchen Electrical Appliances. Your Company entered the Cleaning solutions from FY 17-18. The market for all these segments consists of organized national brands, regional brands as well as unorganized players. Except for Pressure Cookers, Cookware and Induction Cooktops, the market for the rest of the key product lines is fragmented and is shared by several players. Over the last five years or so many players both big and small have been entering as well as exiting the appliance categories and the churn is still going on. Reorganization, mergers/acquisitions etc are also seen in this industry. With E-Commerce becoming an active channel over the last few years it has become a platform for intense competition as even regional and small players could reach out to pan India through this channel. .

Consumer/Channel Scenario: The work-from-home norm that came into vogue in FY 21 is gradually giving way to work-from- office or a hybrid structure. Thus, pent-up demand as well as home improvement intensity seen in FY 21 is gradually tapering off and hence the demand pull is settling at normal levels that prevailed during pre-covid times. The inflation is impacting the consumption at lower-income levels while the demand from upper middle-income group onwards is sustaining. Value added innovative products are gaining ground. The revival in the real-estate construction industry is aiding demand from new homes.

While the online channels reached their peak during pandemic times, the off-line channels are regaining their space. The footfalls have increased in the off-line markets whether big or small. The organized off-line market is seeing uptrends and off-line players also operate on digital platforms. The consumer now has several choices in terms of channels, products, and price points. Competition, both inter-channel and intra-channel, is getting increasingly intense. Allocation of inventory to various channels with healthy and realistic price-points is becoming a challenge.

Export Market: Though the global market currently if faced with recession due to pandemic and geophysical conflict, India is becoming an attractive destination for sourcing. The 'Make in India' initiative and infrastructure push are expected to drive expansion of manufacturing base India to tap the global market.

Your Company: Even under these uncertain conditions your Company maintained its leadership position in key categories like Pressure Cookers, Cookware, Value added Gas Stoves, Induction Cook top, Kettles, etc and is steadily improving its market share in the Mixer Grinder segment. Indigenisation of some small appliances hitherto imported from China has stabilized. The models launched under Svachh platform viz. Pressure Cookers and Gas Stoves did very well during the year. Your Company is constantly investing in innovation and in augmenting manufacturing and sourcing capacities through automation and building additional facilities. Most importantly your Company has maintained healthy relations with all its channel partners – whether online or offline and has proactively minimised the conflict among the various channels without compromising on product offerings and without succumbing to predatory pricing trends. Your Company maintains significant presence in all channels – traditional retail, online, large format stores, rural, institution, CSD etc besides your Company's Prestige Xclusive network spread across India.

Your Company will continue to focus on product innovation and differentiation coupled with innovative distribution and digitalization of sales and marketing processes to stay ahead in the marketplace.

B. ANALYSIS OF PERFORMANCE:

1. KITCHEN & HOME APPLIANCES:

The products include Pressure Cookers, Cookware, Kitchen Electrical Appliances, Gas Stoves, and Home Appliances. The turnover of these product categories is given in the following table:

(Rs.in Crores)

	2021-22			**2020-21**		
	Domestic	**Export**	**Total**	**Domestic**	**Export**	**Total**
Pressure Cookers (including Microwave Pressure Cookers)	740.18	45.80	785.98	562.57	38.02	600.59
Cookware	370.26	46.45	416.72	302.48	29.71	332.19
Gas Stoves	340.06	0.41	340.47	267.52	1.08	268.60
Mixer Grinder	245.18	4.36	249.55	219.08	1.49	220.57
Other Kitchen/ Home Appliances	597.15	0.28	597.43	471.82	0.20	472.02
Cleaning Solutions	43.66	-	43.66	50.08	-	50.08
Others	97.56	0.78	98.34	88.15	0.85	89.00
Total	**2434.06**	**98.08**	**2532.15**	**1961.70**	**71.35**	**2033.05**

a. As mentioned in the Highlights, notwithstanding external factors impacting Q1 and Q4 your Company was able to register significant growth by a judicial mix of products, channel presence and market penetration. The online channel continued to be active during the year though it did not grow at the same pace as in the last year.
b. Your Company continued to manage its trade policy with general trade as well as modern format stores cautiously to improve working capital efficiencies across channels.
c. Except ‘Cleaning Solutions’ all other categories registered growth both in volume and value terms.
d. The Cleaning Solutions category has shown a decline during the year primarily due to higher base in FY21 aided by ‘work from home’ concept driven by pandemic. Your Company has taken appropriate corrective actions to reverse this trend in the coming year.
e. During the year under report your Company introduced around 150 new SKUs covering Pressure Cookers, Induction Cook tops, Mixer Grinders, Rice Cookers, Gas Stoves and other Small Electric/Non-Electric Appliances and Cleaning Solutions.
f. Judge brand as a tactical brand is progressing well and contributed around Rs 33 Crores to Sales (PY Rs 23 crores).
g. In spite of nursing some idle costs during Q1 , and absorbing unprecedented material price increases, various operating ratios were maintained at healthy/improved levels ensuring improvement in EBITDA margin (before exceptional items) at 17.4% as against 16.8% in the previous year. None of the key financial ratios (inventory turnover, receivable turnover, net-current asset turnover, margins and return on net worth) had a variance of 25% or more as compared to the previous year.
h. Operating ROCE stood at 41.7% (PY 38.2%) on expanded manufacturing asset base. Your Company continued to be debt free and carried a sizeable free cash balance of over Rs 700 Crores at the year end.
i. Your Company has over the last few years substantially reduced its dependence on imports which has a positive impact on working capital efficiencies. This was partially impacted by the increase in raw material inventory bought to manage the continuing price increases on materials.
j. Operating working capital efficiencies improved during the year notwithstanding the policy to offer friendlier terms to vendors to ensure operational liquidity to them. The net current asset turnover has improved from 4.37 to 5.10.
k. Prestige Xclusive network was consolidated and rationalized where necessary and new outlets were added. The number of outlets as at 31.03.202 was 665 (PY 620). The network now covers 28 States and 374 Towns. The spread of the network is also evenly distributed between Metros, Mini-Metros, Tier 1, Tier 2 and Tier 3 cities.
l. Service network was significantly expanded to 504 centres (PY - 464 centres).

2.OVERSEAS SUBSIDIARY

The operating subsidiary Horwood Homewares Limited (HHL) achieved a sale of £18.8 million (PY £16.2 million) a growth of 16% against the backdrop of Brexit, COVID-19 pandemic, and geo-political tensions. Operating EBITDA was £2.0 million (PY £1.6 million) a creditable increase of 25%. The subsidiary introduced new products and strengthened its presence in the online channels during the year which helped it perform better than most of its peers and achieve a better profitability over the previous year. During the year, the subsidiary migrated to a new ERP system to support the expansion of the business. This is expected to improve the operational efficiencies resulting in better customer experience in the coming years.

C. OUTLOOK & OPPORTUNITIES:

a. The Reserve Bank of India has projected a GDP growth of 7.8% for FY 23 but with a caveat that the continued Russia-Ukraine conflict and rising fuel prices can have an impact on this projection. The volatility in commodity prices cannot be ruled out. The near-term outlook is uncertain for growth prospects. Though your Company is registering growth during April 22 and May 22, the same is with reference to a lower base.

b. The Union Budget for FY 23 has laid emphasis on governmental investment and capital expenditure in several projects especially Housing and Urban Planning Sector. If these are implemented, even amidst the current situation the outlook can be on the positive side. Recent reduction of duties on fuel is expected to improve the private final consumption in the coming quarters.

c. As your Company is in the home and kitchen appliance domain, the hybrid mode of working preferred today by most of the service industries may support the need for improving kitchens and replacing appliances and thus support the demand for such products. The improvement in the real estate sector, rise in demand on account of gifting during marriage and other occasions which was subdued due to restrictions on gatherings, may further support the demand. The revival of the travel and hospitality industry will trigger more employment opportunities yielding a larger customer base.

d. Your Company, as always, focuses on improvement in efficiencies and management of critical costs to deliver decent profits even if growth may be impaired.

e. Your company is comparatively better placed owing to its brand salience, exclusive retail network across India besides strong presence in every other channel that reaches the end consumer. Your company is debt-free, and all its manufacturing and sourcing outfits are in operational conditions with adequate human resource and thus can increase supplies to the market at short notice.

f. India's underlying economic fundamentals are strong and despite this turbulence the impact on the long-term outlook will be marginal. However, it will be largely dependent on early resolution of geo-political conflicts and easening of the commodity prices including fuel. If the projected GDP growth of 7.8% is realized, your Company is confident of registering a growth in mid-teens.

g. The increased tendency among global brands to shift a sizeable portion of sourcing outside China with India as an alternative is continuing. Your Company's export customers have increased their sourcing from the Company during FY 22 and we expect this to further strengthen during FY23.

D. MEDIUM & LONG-TERM STRATEGY:

a. As the members are aware your Company has adopted an expansive Vision – To Delight Home Makers with Innovation and To Make Company's products available at Every Home.

b. Your Company based on this vision had developed strategies to increase its product base and customer base across India both rural and urban to double the turnover in about 5 years from the base of FY 21.
c. The blueprint that has been prepared is still relevant even under the current uncertain conditions and some tweaking has been in tune with the changed conditions.
d. Shareholders are aware that your Company operates out of its core strengths of brand, innovation, design, manufacturing, distribution, sourcing, and service capabilities and more importantly 'Customer Engagement' and will continue its efforts to further fortify these strengths.
e. In the medium and long-term, your Company expects to maintain a healthy EBITDA margin and Return on Capital Employed subject to commodity prices remaining stable within a range and the Covid-19 pandemic do not reoccur severely as in past 2 years It is also dependent on the easing of geo-political tensions.

E. THREATS

While there are vast opportunities in the Domestic Market, threats can continue in the form of new entrants or existing regional brands causing disruptions through unrealistically low prices due to pressure from some channels. . As the entry barriers are low, any lag in innovation can impact growth. Unprecedented rise in commodity prices is also a major threat as it may not be possible for your Company to pass on the cost increases to consumers in full. Your Company pursues a dynamic cost management process to ensure healthy margins at EBITDA levels as demonstrated in the last couple of years.

F. SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Your Company has been proactively implementing various projects to address global environmental issues such as climate change, global warming, etc. The very products such as pressure cookers, induction cooktops, etc., are designed to save energy as well as protect environment. Continuous design improvements, investments in manufacturing processes, solar power and green environment in manufacturing locations are directed to reduce the consumption of basic metals like aluminium, steel etc besides utilities like water, power, and fuel. Details are separately presented as part of Business Responsibility Report.

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