

TTK Prestige LIMITED



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May 25, 2023

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 – FY 2022-23

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
Wholetime Director& Secretary

TTK PRESTIGE LIMITED
EXTRACT OF BOARD'S REPORT FY 2022-23

FINANCIAL RESULTS (STAND ALONE)

(Rs. in Crores)

		2022-23	2021-22
1	Sales (Net of discounts)	2625.71	2532.15
2	Other Income	42.85	34.98
3	EBITDA (Before Exceptional Items)	402.24	441.21
4	Profit Before Tax and Exceptional Items	349.52	395.52
5	Exceptional Items	-	-
6	Profit Before Tax	349.52	395.52
7	Tax Provision	89.37	101.87
8	Profit After Tax	260.15	293.65
9	Other Comprehensive Income	(1.75)	(0.73)
10	Total Comprehensive Income	258.40	292.92
11	Transfer to General Reserve	26.00	29.00
12	Surplus carried to Balance Sheet	232.40	263.92

REVIEW OF PERFORMANCE/HIGHLIGHTS

- The global economy has been continuously under stress throughout the year with the global inflationary trends due to the continued geo-political crisis. While the Indian economy showed its resilience due to its strong macroeconomic fundamentals the impact on general inflation especially on account of fuel prices was also felt in India which took a toll on some consumer sectors like domestic kitchen and home appliances.
- While the first quarter saw a significant growth due to lower base of the comparable quarter of FY22 impacted by Omicron, the growth in subsequent quarters was tepid due to the aforesaid factors.
- All channels were active throughout the year though the online channels felt the impact of re-emergence of offline channels. Smaller players were able to get into online platform with lower price points especially in entry level products. The inflation had higher impact on low-income group than on the middle & large income groups. Under these circumstances the domestic sales saw a growth of 5% from Rs. 2434 Crores to Rs.2556 crores.
- Exports were impacted due headwinds caused by geo-political situation, tightening global financial conditions, and slowing global economy. This resulted in a drop in export sales from

Rs.98 crores to Rs. 69.7 Crores.

- Your Company continued its focus on digitizing its sales process and in its innovative marketing strategies which helped it to maintain its sales growth against the tough market conditions. Your company continued with its efforts on enlarging 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. The Svachh range of Gas Stoves and Pressure Cookers on Svachh platforms maintained its momentum in the market.
- The commodity price increase which hit the roof in the previous year softened/stabilised during the year though not significant compared to the price increases in the previous year and the prices were at a level higher than the pre-pandemic level. Due to high value inventory carried forward from the previous quarters till 30.9.2023 the benefit of softened prices did not fully accrue to your Company. The inflationary trends and adverse exchange resulted in increase in key raw & packing material costs and in manufacturing costs.
- However, your Company was able to maintain a healthy margin through improved efficiencies in operations. Against the pressures on lower sales growth, increase in cost of operation, your Company delivered EBITDA (before exceptional items) of Rs 402 crores (PY Rs 441 Crores) and Profit before tax at Rs 349 Crores (PY Rs 396 Crores). Operating EBITDA margin was at a healthy level of 15.3% (PY 17.4%).
- The depreciation charge was higher at Rs 47.7 crores (PY Rs 41.7 Crores) due to investment in fixed assets.
- The Net Profit after Tax was at Rs 260.2 Crores (PY Rs 293.7 Crores).
- The standalone EPS (face value of Rs 1/-) was at Rs 18.77 (PY Rs 21.18)
- 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 35.9% (PY 41.7%) on expanded asset base as compared to the previous year.
- The Company is debt-free and carried a comfortable free cash of over Rs 840 Crores (including short term Liquid investments) as on March 31, 2023.
- The consolidated turnover and profit before tax of the Company and its subsidiaries amounted to Rs 2777 Crores (PY Rs 2722 Crores) and Rs 343 Crores (PY Rs 411 Crores) respectively.
- As you are aware in the Q4 of previous year 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. In early Jan 2023 your Company increased its shareholding in Ultrafresh from the earlier 40.8% to 51% and thus Ultrafresh became a subsidiary of your Company from that date. The financials of Ultrafresh has been considered in the consolidated financial statements appropriately for these periods.

Your Board of Directors consider the performance of your Company during the year as commendable given the recession and inflationary environment. Your Company continues to maintain its leadership in market share both in value & volume terms across major product categories.

Your directors are happy to recommend a dividend of Rs.6 per share of face value Rs 1/- each for FY23 (PY Rs 6.00 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 global economy witnessed inflationary trends and recession during the year due to continued geo-political tensions despite waning of the impact of covid pandemic. However Indian economy showed its resilience during the year due to its strong fundamentals. The inflation especially on the items for day-to-day consumption affected the customer sentiment affecting the market growth. The Indian industry sector witnessed a modest growth of 4.1% in FY23 compared to its strong growth of 10.3% in FY22 primarily due to input cost pressures, supply chain disruptions and slowing down of global economy. Annual growth in Private Final Consumption Expenditure which was at 20% in the quarter ending June 2022, fell to 8.8% in September 2022 and just 2.2% in December 2022, which suggests a weakening of consumption demand momentum in the economy. This slow down seems to have continued in Q4 FY23 as well. The export which showed a strong growth in FY22 continued somewhat in the first quarter of FY23 but slowed down in the second half of the current financial year due to global economy falling into recession. However, the strong domestic consumption growth and investment revival is expected to keep industrial production active. The travel, entertainment and hospitality industries have gained momentum during FY 23. The policy rates hikes helped to control inflation which helped Indian economy to move ahead of many of the developed nations.

Industry: Your Company primarily operates in the Kitchen Appliances segment with a wide range of product categories. The product categories broadly consist of Pressure Cookers, Cookware, Gas Stoves, Domestic Kitchen Electrical Appliances and Cleaning Solutions. 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 couple of 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 inflationary trend impacting customer sentiments and its stress on disposable income of low- and middle-income group, global economic recessionary conditions acted as an impediment to register significant growth during the year in both domestic and export market. With the work-from-home being replaced with hybrid structure or work from office has taken away fully the impact of pent-up demand as well as home improvement intensity seen in the last two years. Further with complete relaxation of all restrictions owing to covid pandemic the share wallet for durable items substantially came down with consumers allocating substantial share of their purse towards travel, entertainment and hospitality which faced lot of restrictions in the previous years. Value added innovative products gained ground during the year. The revival in the real-estate construction industry is aiding demand from new homes. The exclusive retail channel has shown a robust growth reflecting a strong presence in the market. The e-commerce felt the impact of re-emergence of offline channels. Both online and large format off-line channels have been competing each other with huge discounts especially with reference to entry level products. Smaller players were able to get into online platform with lower price points especially with reference to entry level products. Allocation of inventory to various channels with healthy and realistic price-points is becoming a challenge.

Export Market: With India gaining momentum in the exports of consumer durables in the previous year, hit the head winds due to global recession and unprecedented inflation in the developed markets driven by extended geo-political. With the 'Make in India' push and with India becoming an attractive destination for sourcing, India is expected to reap the benefits on exports once the global recessionary trends fade away.

Your Company: Even under these difficult economic 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 continued do very well during the year. Your Company is continuously investing in innovative products with designs that remove the pain points of the consumers, in strengthening its manufacturing capability and sourcing capacities through automation and creating additional facilities. Your Company continues to maintain cordial 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 pressures. 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 of Stores 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)

	2022-23			2021-22		
	Domestic	Export	Total	Domestic	Export	Total
Pressure Cookers (including Microwave Pressure Cookers)	800.50	26.77	827.27	740.18	45.80	785.98
Cookware	377.82	40.19	418.01	370.26	46.45	416.72
Gas Stoves	332.60	0.51	333.11	340.06	0.41	340.47
Mixer Grinder	275.01	0.72	275.73	245.18	4.36	249.55
Induction Cooktop	287.44	0.26	287.70	256.32	0.28	256.60
Other Kitchen/ Home Appliances	339.30	0.34	339.64	340.83	-	340.83
Cleaning Solutions	45.06	-	45.06	43.66	-	43.66
Others	98.31	0.89	99.20	97.56	0.78	98.34
Total	2556.04	69.68	2625.72	2434.06	98.08	2532.15

- Your Company was able to register a modest growth of around 5% during the year in the Domestic market inspite of the tough external factors as mentioned in the Highlights through judicial products mix, channel presence and market penetration. All channels did well during the year other than online channel which felt the impact of re-emergence of the offline channels. However, the exports dropped by around 29% due to global slowdown.
- 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.
- Almost all key categories except gas stoves registered volume growth during the year.
- The Cleaning Solutions category grew by 5% during the year. Your Company has decided to rationalize the product offerings in this category during FY24 to improve the sales growth.
- During the year under report your Company introduced around 80 new SKUs covering Pressure Cookers, Induction Cook tops, Mixer Grinders, Rice Cookers, Gas Stoves and other Small Electric/Non-Electric Appliances and Cleaning Solutions.
- Judge brand as a tactical brand is progressing well and contributed around Rs 46 Crores to Sales (PY Rs 33 crores); a growth of 39%.

- g. Despite various inflationary challenges during the year, various operating ratios were maintained at healthy levels with EBITDA margin (before exceptional items) at 15.3% as against 17.4% 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 35.9% (PY 41.7%) on expanded manufacturing asset base. Your Company continued to be debt free and carried a sizeable free cash balance of over Rs 840 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.
- j. Operating working capital efficiencies dropped during the year due to early payments to vendors to ensure operational liquidity to them and also to get the benefit on pricing. The net current asset turnover is at 4.28 (PY 5.19).
- k. Prestige Xclusive network was consolidated and rationalized where necessary and new outlets were added. The number of outlets as at 31.03.2023 was 681 (PY 665). The network now covers 27 States and 368 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 512 centres (PY - 504 centres).

2. SUBSIDIARY COMPANIES:

a) Horwood Homewares Ltd, United Kingdom

The operating subsidiary Horwood Homewares Limited (Horwood) achieved a sale of £15.3 million (PY £18.8 million). The drop in sales was due to slowdown of economy and unprecedented inflation triggered by the extended geo-political situation in UK, Europe and USA the markets in which they are operating. Operating EBITDA was at £0.2 million (PY £2.2 million). The drop in EBITDA is primarily driven by increase in key commodity prices, global supply chain issues, increase in operational cost due to inflation and reduced operating leverage due to lower sales. With the recession and inflation existing throughout the year, Horwood has taken all necessary steps to manage this tough period through optimization of costs and through improved operational efficiencies.

b) Ultrafresh Modular Solutions Limited, India

During the last quarter of the previous year, your Company made 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 had invested around Rs 20 Crores through primary and secondary modes to acquire around 41% shareholding in the Company rendering Ultrafresh an Associate as per Accounting Standards effective from 16th February 2022. On 4th January 2023, the Company further invested around Rs 10 Crores in Ultrafresh and increased its shareholding to 51% and Ultrafresh became subsidiary of your Company from that date. Accordingly, the consolidated financial statements includes the profit / loss of Ultrafresh as an associate for the period up to December 2022 and as Subsidiary from January 2023.

Ultrafresh achieved a turnover of Rs 23 Crores during the year (PY Rs 14 Crores) with an EBITDA of Rs (9.9) Crores (PY: Rs (6.4) Crores).

C. OUTLOOK & OPPORTUNITIES:

- a. The Reserve Bank of India has projected a GDP growth of 6.8% in real terms for FY 23. As per the economic survey, this stems from a number of positives like the rebound of private consumption given a boost to production activity, higher Capital Expenditure (Capex), near-universal vaccination coverage enabling people to spend on contact-based services, such as restaurants, hotels, shopping malls, and cinemas, as well as the return of migrant workers to cities to work in construction sites leading to a significant decline in housing market inventory, etc.
- b. However, with the continued geo-political crisis and the global slowdown and the unprecedented inflationary trends in developed markets, the near-term outlook is uncertain for growth prospects. The growth is expected to stabilize during the second half of FY24.
- c. Despite the deteriorating global situation, the agencies worldwide continue to project India as the fastest growing major economy in FY23.
- d. The Union Budget for FY 24 has laid emphasis on inclusive development, youth power, infrastructure and investment and unleashing the potential. The aim is to broaden the base of development. This is expected to cause structural change in the segmentation of consumers based on income levels. Your Company is developing brand, channel and product related strategies to cover various income segments and hitherto unpenetrated consumer groups and geographies.
- e. As your Company is in the home and kitchen appliance domain, the investment in infrastructure, the return of migrants to the cities to aid the real estate industry, the return to normalcy on shopping, preference to hybrid mode of working in some of the sectors, 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, increase in gifting during special occasions which was subdued due to restrictions on gatherings, may further support the demand. The revival of the travel, entertainment and hospitality industry will bring in more employment opportunities yielding a larger customer base.
- f. Your Company, as always, focuses on improvement in efficiencies and management of critical costs to deliver decent profits even if growth may be impaired.
- g. 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.
- h. Your company is debt-free, and all its manufacturing and sourcing facilities with adequate capacities and human infrastructures can increase supplies to the market at short notice.
- i. The global economic prospects for the next year have been weighed down by the combination of a unique set of challenges expected to impart a few downside risks. The impact of monetary tightening is beginning to show in slowing economic activity, especially in Advanced Economies. Besides this, adverse spillovers from the prolonged strains in supply chains and heightened uncertainty due to geo-political conflict have further deteriorated the global outlook. These might have an impact on export growth.
- j. The shifting sizable portion of manufacturing by global brands to countries outside

China is continuing to benefit India. Your Company's export customers continue to show much interest to increase their sourcing from the Company during FY23 and we expect this to further strengthen during FY24 subject to no further impact in the global economy.

- k. However, with India's recovery from the pandemic being relatively quick, the growth in the upcoming year will be supported by solid domestic demand and a pickup in capital investment. The current growth trajectory will be supported by multiple structural changes that have been implemented over the past few years.
- l. India's underlying economic fundamentals are strong and despite this turbulence the impact on the long-term outlook will be marginal. If the projected GDP growth of 6.5% is realized, your Company is confident of registering a double-digit growth in the coming year.

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 22.
- 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.

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 geo-political tensions do not escalate further.

E. THREATS

The domestic market has vast opportunities with the increase in customer base year after year. However, threats in the form of new entrants or existing regional brands causing disruptions through unrealistically low prices due to pressure from some channels can continue to exist. Consolidation of big-format and online channels in a few hands can cause disruptions in the short-term both for traditional small retail players and organized national brands. Any delay in innovation of new and differentiated products can impact growth due to these developments. Fluctuation in the commodity prices is also a major threat as it may not be possible for your Company to pass on the impact of cost increases to consumers in full. The dynamic cost management process adopted by your Company will ensure healthy margins at EBITDA levels as demonstrated in the last few years.

SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Your Company has been proactive in implementing various projects to address global environmental issues such as climate change, global warming, etc. Some of the products of your Company such as pressure cookers, induction cooktops, etc., are designed to save energy as well as protect environment. Continuous design improvements, investments in efficient 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. This report is separately presented as part of Business Responsibility & Sustainability Report.

FUTURISTIC STATEMENTS

This extract of Directors' Report and the Management Discussion and Analysis included therein 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 numerous 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.