TTK PRESTIGE LIMITED
DIRECTORS' REPORT
(Including Managements' Discussion and Analysis Report)

Your Directors have pleasure in presenting their Fifty Sixth Annual Report, together with the Audited Accounts of the Company, for the year ended 31st March 2012 as follows:

FINANCIAL RESULTS

(Rupees in lakhs)

	2011-12	2010-11
Sales (inclusive of excise duty)	**112271**	77558
Other income	**308**	427
Profit before Extra-Ordinary item	**16324**	12094
Extra-Ordinary/exceptional income	**0**	(59)
Profit/(Loss) before tax	**16324**	12035
Tax Provision	**4988**	3660
Net Profit/(Loss)	**11336**	8375
Transfer to General Reserve	**1134**	838
Proposed Dividend (including tax)	**1974**	1645
Surplus carried to balance sheet	**8228**	5892

REVIEW OF PERFORMANCE:

Your Company is focused on growth with a fair return on capital employed. Your Company does not follow a standalone margin led strategy as such strategy can be myopic and can lead to unwarranted cuts in investments in brand as well as capacity expansion. Therefore the performance has to be understood only in the light of the philosophy followed by your Company.

- Sales grew by 44.75%

- All time high absolute value growth - around Rs.347 crores

- Profit before extra-ordinary items increased by 35%.

- Profit after tax increased by about 35.35%.

- The operating EBIDTA margin was 15.6% as compared to 16.2 % in the previous year. Minor drop in margin was largely contributed by sharp rupee depreciation during September/October 2011 which could not be passed on to the market in the short-term. However your company was able to register more than expected topline growth ensuring a fair return on investments.

- Earnings per Share (before extra-ordinary/exceptional items) rose to Rs.100.13 from Rs.73.98 - a growth of 35%

- The ratio of Operating EBIDTA/ Operating Capital employed (excluding CWIP) in the Kitchen Segment was more than 60% notwithstanding substantial additions to asset base for future needs of production.

A detailed analysis is provided under the section 'Management's Discussion and Analysis' forming part of this Director's Report.

AWARDS AND RECOGNITONS

Your Company is being continuously recognized by various reputed agencies for its overall corporate performance and brand standing. Your Company's brand Prestige continues to be recognized as the Super Brand in the Kitchen Appliances Segment.

Your Company's retail network Prestige Smart Kitchen continues to get several awards viz.

a. 'Best Franchiser – Home' Award - Your Company has received this award 5 times in 6 years by Franchise India Holdings (P) Ltd.
b. 'Best Retailer- Home' Award – Your Company has been receiving this award for the last 3 years continuously.

ALLIANCES

Your company has been actively looking for enlarging its product and customer base and in the process thought it fit to develop/build relationships with certain global corporations to bring certain advanced product ranges as well as international brands into the business of your Company. These are calculated not only to consolidate your Company's position in the mass market segment but also tap the top of the pyramid segment. The details are given below.

(i) Your Company has concluded agreements with World Kitchen, USA which will enable your Company to enter the high-end Tableware/Cookware and Store-ware segments. Your Company's basket of products will henceforth include international brands such as Corelle, Corningware, Pyrex, Vision and Snapware. Except Corelle, all other products will carry the brand of Prestige also. The initial arrangement is one of distribution and after gaining sufficient experience and volumes, a manufacturing Joint Venture may be set up for decoration of Corelle range of products and manufacture of Snapware range of store-ware products. The sale of these products will commence during the first quarter of the financial year 2012-13.

(ii) Your Company has also concluded a business collaboration agreement with Vestergaard Frandson Group, Switzerland which will enable your Company to enter the fast growing domestic water filter segment. The products will be made with the patented LifeStraw technology of Vestergaard. The products will be assembled in India through your Company and your Company will market and distribute the same across India.

(iii) Your Company has also entered into agreements with Bialetti Industries Spa, Italy whereby your Company has bought their pressure cooker and cookware manufacturing plants in Romania and Italy for installation in India. Some of the machineries have already been installed and commissioned and the balance will be installed and commissioned during the year 2012-13. Pursuant to these arrangements Stainless Steel Pressure cookers are being outsourced by them from your Company. Your Company has also entered into outsourcing arrangements with their Indian subsidiary.

MANAGEMENTS' DISCUSSION AND ANALYSIS

A. ECONOMY /INDUSTRY SCENARIO

The Fiscal year 2011-12 witnessed a lower rate of growth in the economy. The real GDP growth rate was just 6.8% after growing by 8.4% in each of the two previous fiscal years. During the year serious inflationary trends were continued to be felt at consumer price levels. The rupee also depreciated sharply which had an adverse impact across all sections of the economy especially those sections which depended on imports. The interest rates also hardened. The overall impact of all these factors was felt on disposable incomes thus affecting consumer spending especially on white goods, cars, two-wheelers and high value items.

Against the backdrop of the above described scenario your company was able to keep up its momentum of growth and grew by about 45% in 2011-12 over and above the growth of 50% achieved in the previous year.

Your Company operates in the kitchen appliances segment with a wide range of product categories. The product categories consist of Pressure Cookers, Non-stick Cookware, Gas Stoves and Domestic Kitchen Electrical Appliances. The market for Pressure Cookers is shared amongst organized national branded players, regional players and unorganized players. Over the years, the share of the unorganized players has been gradually coming down as there has been a shift in the consumer preference to reliable branded players. The market for organized brands is estimated at more than 60% of the total market. The share of unorganized players is greater for Non-stick cookware as compared to pressure cookers. For the rest of the product categories, the market structure is fragmented and the share and the role of regional brands and unorganized players continue to be significant.

Some new developments are taking place in the product segments in which your company is operating. Multinational Corporations are entering the domestic kitchen electrical appliances segment by acquiring regional brands. A couple of regional brands have been able to attract private equity investments at interesting valuations. Some State Governments have started providing select domestic electrical appliances like mixer-grinders, fans etc. free of cost to low income groups.

While the free supplies by State Government will tend to commoditize the concerned product segment, the entry of multinationals and large domestic companies can lead to the growth of organized branded players. The real impact of all these on the growth of the organized sector can be felt only in the next couple of years.

The Central Government has increased the excise duty on various products including your Company's products. The increase is between 1% and 2%. This will have a cascading effect and push up the end prices of the products.

B. OPPORTUNITIES, THREATS AND COMPANY'S RESPONSE

Your Company's growth is steadily built on its core strengths of brand, manufacturing, design, distribution, sourcing and service capabilities.

Over the last ten years your Company has been enlarging its scope to occupy the entire kitchen, providing a concept rather than a mere product and offering a host of simple solutions to the problems of day-to-day kitchen user through relevant products. Continuous innovation has been the key to the offering of well differentiated products.

Your Company has been investing substantially on its brand Prestige and has been quite successful in extending it to several product categories relevant to the domestic kitchen.

Your Company's strategy is to continue to focus on Total Kitchen Solutions.

Your Company's vision is "A Prestige in Every Indian Kitchen.

Your Company's key core values are "to provide Quality Consumer Products at affordable prices" and "Fairness in dealings with Every Stake Holder".

True adherence to the above stated strategy, vision and values has enabled your Company to make product offerings relevant to the various consumer segments and tap geographies outside the traditional strong holds of South Indian market. Your Company has built a strong goodwill amongst all the stake holders in the distribution chain across geographies. The share of non-south market which was hardly 20% at the start of 21st century is now close to 35%.

All the products introduced in the last two years have been receiving good response as may be seen from the impressive growth in all product categories as detailed elsewhere in this report.

The strategy of focusing on Total Kitchen Solutions continues to create newer and newer opportunities every year to add new product categories and new customer base. Your Company has already taken steps to foray into Tableware and Cookware (both glass and ceramic) segments, Kitchen Store ware and Domestic Water Filters the details of which are given separately under the heading "Alliances".

The Indian economy is expected to register an overall growth of 7.6% in 2012-13. This growth is expected to be maintained notwithstanding the inflationary pressures. This coupled with stable rural income is expected to keep the consumer spending index at a stable level in the years to come. It is also estimated that private final consumption expenditure will rise by 7.3% in the year 2012-13. However, it is also reported that in recent months the Rural Consumer Price Index has been on the increase and is higher than the Urban Consumer Price Index and that the rural disposable income is gradually dropping. Further, the increase in excise duties across all product categories will make the various products costlier and the consumer may have to choose amongst various priorities.

The threat in the domestic market continues from the unorganized players and regional brands that compete with unviable low pricing strategies. The entry of larger players as stated above may shift the opportunities to organized branded players. The free distribution of certain products by State Governments is expected to create a decent replacement market in the years to come. Your Company has been continuously monitoring the situation and will continue to have dynamic set of strategies to deal with such situations.

Your Company's export strategy will be tactical balancing the needs of domestic market, comparative margins and optimum capacity utilization. 'Micro Chef', the microwave pressure cooker range, mainly intended for the export market is attracting good interest in the export markets.

C. ANALYSIS OF PERFORMANCE:

1. Kitchen Appliances:

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

(In Rupees Lakhs)

	2011-12			**2010-11**		
	Domestic	Export	Total	Domestic	Export	Total
Pressure Cookers (including microwave pressure cookers)	38031	3290	41321	29192	2498	31690
Non-stick Cookware	22418	51	22469	15354	45	15399
Kitchen Electric Appliances	34944		34944	19292	-	19292
Gas Stoves	10084		10084	8085	-	8085
Others	3398	55	3453	3027	65	3092
Total	**108875**	**3396**	**112271**	**74950**	**2608**	**77558**

a. Domestic Sales registered a growth of 45.3% while exports registered a growth of 30.2%.
b. The traditional product categories, namely, Pressure cookers and Cookware registered a growth of 30.3% and 46% respectively in domestic market.
c. The growth in non-traditional product lines like gas stoves and kitchen electrical appliances has been impressive at 24.7% and 81% respectively.
d. The growth is driven predominantly by volume expansion and introduction of new models and products. With respect to certain product categories the growth can also be attributed to sales mix consisting more of value added items and improved market penetration.
e. Operating EBIDTA/ Gross Sales ratio was around 15.6% as against 16.2% in the previous year. The sudden depreciation in rupee in September 2011 resulted in unforeseen increase in input costs of imported materials/products which could not be passed on to the market immediately. This affected the margins during the second half of the financial year. The composite margin of your Company is the average of the margins of the Pressure Cookers and Cookware category on the one hand and Stoves & Kitchen Electrical appliances category on the other. Thus various operating ratios are unique to your Company and are not strictly comparable to other players whose composition of business is not similar to your Company.
f. Your company concluded a long-term wage settlement with the Hosur Union with increased productivity which is expected to neutralize the increase in absolute financial burden during the settlement period. Your company has also been investing in human resource taking into account the requirements of the ongoing expansion of capacities. The above margin achievement is after absorbing such increased overheads.
g. The interest cost during the year was Rs.5.64 crores (PY 0.75croes) on account of transitory borrowings resorted to fund the expansion requirements.
h. Own manufactured and domestically sourced products contributed to 62% of the turnover as against 70% in the previous year. The imported products contributed to 38% of the turnover as against 30% in the previous year. This composition also influences the margin as well as working capital investments.

i. Your Company continues to maintain strict control over working capital. There was an increase in the inventory levels as at 31.3.2012 which was largely built up to meet the growth expected in the FY 2012-13.
j. Your Company continues to raise significant operating free cash flows which enable your Company to fund the ongoing large capital expenditure programme without resorting to large borrowings.
k. During the year under report your Company introduced around 60 new products covering Pressure Cookers, Induction Cook Tops, Mixer Grinders, Rice Cookers, Gas Stoves and other small electric appliances.
l. Your company continues to consolidate and expand Prestige Smart Kitchen retail network. Your company extended its coverage to another 26 towns. The net addition to the number of stores was 77. The number of outlets as at 31.3.2012 was 356. The network now covers 21 States and 179 towns.

2. Properties & Investment:

The shareholders are aware that pursuant to shifting of factory operations to other places, the land at Dooravaninagar Bangalore became surplus and it was decided to develop the same instead of selling it outright. The company has handed over the development to Rajmata Realtors (Salarpuria) for developing an office cum residential complex. All necessary sanctions and approvals have been received and the construction is progressing satisfactorily. The project is expected to be completed during the calendar year 2014.

D.OUTLOOK

As outlined in the earlier part of this report, the general economic scenario is rather complex. While there is every possibility of the economy growing at over 7.5%, there does exist uncertainties over the spending power of the consumer in the immediate future on account of inflation. Your company grew by 50% in 2010-11 and over and above that grew by 45% in 2011-12. Thus the base turnover has increased substantially in the last two years.

Your Company expects to maintain a decent rate of growth in the coming years mainly because of the efforts of your Company in broad basing its product range and enlarging the consumer base.

Earlier during the beginning of the financial year 2011-12, your Company had given guidance that during the five year period beginning April 2011, your Company expected to grow at CAGR of 25%. Having achieved 45% growth in the first year itself, the prospects of meeting the said average rate growth of 25% appears to be feasible especially on account of the entry into new product segments barring unforeseen circumstances.

Your Company has already embarked on a strategy to lower the dependence on imports for some finished goods. This is possible once the manufacturing facilities in Western India are commissioned. This step is expected to have a favourable influence on working capital investments and margins.

E. RISKS AND CONCERNS

The overall inflationary trend and slowdown experienced by some sections of the manufacturing and service sectors are matters of concern. Some escalation in key raw material prices is also seen. However your Company is continuously improving its efficiencies and is hopeful of growing at a healthy pace and maintaining a healthy return on capital employed. Your company will not compromise on the objective of growth and improving market share for the sake of short-term profits.

F. RISK MANAGEMENT

Your Company has a risk identification and management frame work appropriate to the size of your Company and the environment under which it operates.

Risks are being continuously identified in relation to business strategy, operations and transactions, statutory legal compliance, financial reporting, information technology system and overall internal control frame work.

Your company has engaged the services of independent professional management auditors for advising the company on a continuous basis on contemporary risk management framework appropriate to the size and operations of the Company. They are also carrying out risk audit on a periodical basis.

G. FINANCES

Your Company continues to generate substantial post-tax operating free cash flows. Your company also availed both long-term and short-term credits from banks in order to fund the growth and expansion of your Company. The outstanding borrowing as on 31.3.2012 was around Rs.57 crores.

H. INVESTMENTS

Your Company retired its investments in mutual funds totaling Rs.22 crores for deployment in the business. Other than this there have been no changes in the investment.

I. INTERNAL CONTROL SYSTEMS

Your Company has further strengthened the internal control and internal audit systems by engaging services of management audit firms who will focus on risk management processes, operational efficiencies and improved utilization of SAP processes.

J. DEVELOPMENTS IN HUMAN RESOURCES

Your Company concluded a long-term wage settlement with the workmen of the Hosur Unit with better productivity and flexibility. The entire negotiation process was smooth and cordial.

Given the rapid growth of the Company and proposed expansions, the Company requires a more focused approach for HR development. Therefore your Company has engaged the services of world renowned HR consultants to develop HR strategies specifically covering the organization structure, leadership development and succession planning.

The direct employment strength stood at 1141as compared to 995 in the previous year.

CAPITAL EXPENDITURE & EXPANSION PLANS

Your company has completed most of its capital expenditure investments in Uttarakhand, Coimbatore and Hosur units. All these expansions have started commercial production.

Your Company has completed most of the formalities relating to the acquisition of land in Gujarat and the construction of the factory has commenced. Most of the machines have arrived. The first phase of this project is expected to be in place before the end of the financial year 2012-13.

The overall capital expenditure plan for the three years commencing April 2010 is pegged at around Rs.300 crores out of which around Rs.190 crores has been incurred till 31st March 2012. The balance will be incurred during the financial year 2012-13. With this your Company would have installed sufficient capacities for Pressure Cookers and Cookware to meet the long-term requirements.

SCHEME OF AMALGAMATION WITH PRESTIGE HOUSEWARES INDIA LIMITED

The shareholders are aware that the Scheme has already been unanimously approved by the shareholders at the General Meeting convened pursuant to the orders of the Honourable High Court at Chennai. The necessary petitions for sanction of the Scheme have been filed before the Court and order of the Court is awaited. The appointed date of the Scheme is 1st April 2011 and necessary entries will be carried out in the books of account only after the Sanction of the Court is received.

DIRECTORS

Mr. Dileep K Krishnaswamy, Mr. Arun Thiagarajan and Mr.T T Raghunathan retire by rotation and are eligible for re-election. The information on these retiring Directors is provided in the Notice calling the Annual General Meeting.

FIXED DEPOSIT

The Public Deposits aggregated to Rs.217.25 lakhs as on 31st March 2012. There were no unclaimed deposits which remained unpaid as on that date.

DIVIDEND

Your directors recommend payment of a dividend of Rs.15/- per share for the year.

FUTURISTIC STATEMENTS

This 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 various factors both internal and external.

Therefore, the investors are requested to make their own independent judgments by taking into account all relevant factors before taking any investment decision.

CORPORATE GOVERNANCE

Report on Corporate Governance is separately presented as part of the Annual Report. Management Discussion and Analysis is included in this Directors' Report in the preceding sections.

EMPLOYEES

The particulars as required under Sec.217 (2A) of the Companies Act, 1956 are given in the Annexure to this report.

AUDITORS

M/s. S.Viswanathan, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment as statutory auditors of the Company.

COST AUDITOR

In conformity with the directives of the Central Government, the Company has appointed Sri. V. Kalyanaraman, Cost Accountant, No.4 Second Street, North Gopalapuram, Chennai 600 086, as the Cost Auditor under Section 233B of the Companies Act, 1956, for the audit of cost accounts for Aluminium, Stainless Steel Pressure Cookers, Non-stick Cookware and also Compliance under Cost Accounting Record Rules for the year ended 31.3.2012 .The cost audit report for the year ended 31.3.2012 will be filed on or before 30.9.2012.

LISTING

Your Company's shares are listed in the Bombay Stock Exchange and National Stock Exchange and the listing fees for these two exchanges have been paid.

FOREIGN EXCHANGE EARNINGS

The details of foreign exchange earnings and outflow are given in the annexure to this Report.

CONSERVATION OF ENERGY AND RESEARCH AND DEVELOPMENT

The measures related to conservation of energy, etc., are covered in the annexure to this Report pursuant to Section 217(1) (e) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by Sec 217(2AA) of the Companies Act, 1956 your Directors confirm

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;

2. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. That they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors deeply appreciate and acknowledge the significant and continued co-operation given to your Company by the Bankers, Financial Institutions and the employees of the Company.

Registered Office: For and on behalf of the Board
Plot No.38,
SIPCOT Industrial Complex,
HOSUR 635 126
Tamil Nadu. (T.T. JAGANNATHAN)
CHAIRMAN

Place: Coimbatore.
Dated: 4[Th] May 2012

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 for the year ended 31st March 2012.

A. CONSERVATION OF ENERGY AS PER FORM A - Not Applicable.

B. PARTICULARS AS PER FROM B – RESEARCH & DEVELOPMENT
Constant efforts are made to improve the quality of the product and upgrade the Manufacturing Process of all the products of the Company. During the year your Company has filed one patent and two design applications.

C. FOREIGN EXCHANGE EARNINGS & OUTFLOW

1) Inflow	Export of Goods (FOB)	-	Rs. 3395.90 lakhs
2) Outflow			
	Import of Goods & Others	-	Rs. 23677.26 lakhs

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Plot No.38,
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Tamil Nadu (T.T. JAGANNATHAN)
CHAIRMAN

Place: Coimbatore
Dated: 4th May 2012