

TTK Prestige Limited

Chairman's Speech AGM: 29 July, 2022

I have great pleasure in welcoming you all to the **66th Annual General Meeting** of your Company.

General Economic Climate:

I would like to start my speech with the many positives of the Indian economy amongst dark clouds hovering around the global economy.

Despite the massive disruptions in both demand and supply-side factors caused by the Covid-19 pandemic and the Russia-Ukraine conflict, India has shown the most consistent improvement in macroeconomic performance among the top ten economies in the world. In the ranking of International Economic Resilience (IER) of the top 10 countries, India has consistently improved over the last four years as compared to other leading economies in the world. India is projected to improve its IER rank to 2 from the 6th position it was in a few years ago. India has fared better in managing the pandemic as well as protecting the economic fabric of the country. India is poised to become the 5th largest economy in the world pushing UK to the 6th position.

While major economies are facing steep inflation and the threat of recession, India achieved a GDP growth of 8.7% in FY 22 and is expected to maintain a growth of over 7.3% in GDP in FY 23. Given the Government's continued thrust on spending on the capital expenditure plans and good monsoon the prognosis for FY 23 is considered positive. The uptrend in GST collections month after month is also reflective of the strong fundamentals of the economy. The travel and hospitality industry which was languishing in the last year has become very active and is closer to pre-covid levels.

Though rupee has depreciated against US dollar to almost Rs.80/- per dollar largely owing to the fuel price inflation caused by the Russia-Ukraine conflict, the rate of depreciation is far lower as compared to other currencies. Indian Rupee has in fact strengthened vis-a-vis Sterling, Euro etc. RBI also carries significant foreign exchange reserves to maintain stability.

The factors that cause concern are inflationary trends in both wholesale and consumer prices and the impact of these on the disposable income of the lower income groups. While the value added product segment is seeing stable demand, the demand for entry level products is subdued. The recessionary trends seen in key global markets can have impact on exports though this can be offset by India becoming an alternate source for China for quite a few products and services.

With the above background I shall proceed to briefly cover the highlights of FY 22 and the steps being taken by your Company to stay stronger.

FINANCIAL YEAR 2021-22

The Annual Report for the year has already been circulated. This Annual Report contains both stand-alone and consolidated financials incorporating the business operations of the UK Subsidiary and the associate company Ultrafresh Modular Solutions Ltd in which your Company has taken strategic stake. The Directors' Report vividly covers the review of performance, the current standing point, outlook, and future strategy.

Your company successfully dealt with the following major challenges during FY 21-22.

- a. The second wave of Covid that impacted the business during Q1 and the resultant lock-down of two major factories in Tamil Nadu and the absorption of idle overheads caused by such lockdown.
- b. Gearing of supply chain – both own-manufactured and outsourced – taking in to account the lock-down of supply chain during Q1. Complete replacement of supply chain related to imports from China with India based supply chain without compromising on cost efficiencies.
- c. Continuous churn in channel-mix and the need to allocate sufficient stocks to different channels – online, large format, general trade, exclusive stores and rural.
- d. Shifting of demand to value added products and the necessity to tweak changes in production/sourcing plans to avoid ballooning of slow-moving inventory.

- e. The waning of pent-up demand witnessed in FY 21 and the need to introduce well differentiated innovative products across categories to sustain customer interest. As compared to FY 21, the customer had other avenues to spend - travel, tourism, marriages, etc.
- f. Continuous hardening of key raw-material prices and the need to take judicious calls on building raw-material inventory and price increases to ensure healthy margins without disturbing customer sentiment.

Against the above backdrop, it is considered commendable that your company, on standalone basis, achieved an all-time high sale of Rs. 2532 crores registering a growth of 24.5% and an all-time of EBIDTA (before exceptional items) of Rs. 441 crores registering a growth of 29% with improved margins. Standalone EPS (per share of Re.1) was Rs.21 a growth of 25%.

Your Company introduced 150 new SKUs covering pressure cookers, induction cooktops, cookware, mixer-grinders, gas stoves and other small electric and non-electric appliances.

Pressure Cookers and Gas stoves under the Svacch platform have been well accepted in the market and have gained momentum.

The launch of Judge brand to tap 'value seeking customer segment' has progressed successfully and the response is encouraging.

Prestige Xclusive Channel has been expanded and we now have more than 665 stores in place.

Your Company continued its thrust on digitalization of various processes encompassing across various verticals and functions of your Company.

Notwithstanding the volatility in market conditions from quarter to quarter, your Company continued to maintain its leadership in its core product categories.

Your company's UK business through the subsidiary Horwood, has gained momentum during FY 22 both in sales and profitability.

Dividend:

During the financial year, in February 2022, an interim dividend of Rs.2.50 per share was paid. Your Directors have recommended a Final Dividend of Rs.3.50 per share taking the total dividend for the financial year to Rs.6/- per share.

Finances:

On a stand-alone basis, your Company is debt-free and carried a free cash of around Rs.700 Crores (including short-term liquid investments) as on 31.3.2022 after incurring capital expenditure and strategic investment Ultrafresh Modular Kitchen Solutions aggregating to Rs. 60 crores.

Brand Salience & Recognitions:

Prestige brand continues to be recognized as the Super Brand in the Kitchen Segment. Your Company has also won the Market Leadership Award 2021 for 'Excellence & Leadership in Marketing and Branding' by Golden Star Awards. Your Company has also been certified as "Great Place to Work" by Great Place to Work Institute, India. Various other recognitions for your company's innovations and stature have been mentioned in the Annual Report. As always, your company will be investing significant amounts in brand promotion and attractive campaigns.

Ranking:

Your Company is ranked within the Top 300 listed companies of India based on market capitalization.

Going Forward:

Your Company turned out a credible performance during first quarter of the current financial year by registering an all-time high Q1 sale of around Rs.600 crores with an EBITDA of Rs. 90 crores reflecting a growth of 68% and 89% respectively. However, the reference base of Q1 of FY 21 is lower due to covid impact. As compared to the normal Q1 of FY 20 the growth is in excess of 38% on sales and 43% on EBITDA which is reflective of your Company's robust brand and channel salience.

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. All these are expected to have impact on disposable income. Hence in the near term the rate of growth can be a cause for concern. So also, is the case with maintaining margins at EBITDA level taking into account the cost of inventories carried from the last few months. Your Company is watching the trend carefully and is taking all necessary steps covering every aspect - introduction of new SKUs, product offerings that suit both 'price-seeking' and 'premium' customer segments, dynamic pricing and promotion policies, channel penetration, leveraging internal efficiencies etc. Your Company will be introducing more than 100 SKUs covering all its product categories during FY 23.

The strategic investment in Ultrafresh Modular Solutions Ltd, is expected to expand the customer base for your Company's products.

As always your Company is further progressing on investing in 'Sustainability Factors'. Various efforts taken in this respect are outlined in the Business Responsibility Report forming part of the Annual Report.

Notwithstanding various external factors like pandemic and geo-political tensions your Company's long-range plan of doubling the sales with stable margins is very much on the radar and investments in supply chain and innovation are being continued to reach this milestone.

Acknowledgement:

I acknowledge the strong support received from the shareholders, employees, suppliers, channel partners and banks during these challenging times and look forward to engaging with them more intensely.

