

TTK PRESTIGE LIMITED
CHAIRMAN'S SPEECH AT THE AGM OF 21ST AUGUST 2020

I have great pleasure in welcoming you all to the 64th Annual General Meeting of your Company.

General Economic Climate:

The Indian economy that was witnessing a slowdown for several quarters till December 2019, did show some signs of recovery during the beginning of 2020. However, the outbreak of the Covid 19 pandemic in March 2020 destroyed any hopes of revival, and worse, plunged the entire globe into darkness. The GDP of the Indian economy registered the lowest ever annual growth rate of 4.3% seen in the last two decades. The resources meant for development are being diverted to protect the lives, safety and basic needs of a large vulnerable sections of society besides augmenting healthcare infrastructure that is needed to fight this pandemic. The process of deficit financing to fund welfare as well as development can have inflationary impact on consumer prices in the short/medium run.

Considering the size and density of population, India has managed to keep Her head above water, through certain proactive measures of complete lockdown for about 8 weeks followed by gradual opening up of the economy coupled with a large size economic relief package. Yet, as of now only the agricultural sector and about 60% of the industrial and commercial sectors are grinding their way to recovery. Transport, travel, tourism and hospitality sectors remain totally shut. The silver lining is that the monsoon has been bountiful and widespread, and this augurs well for the agricultural sector, food security and revival of rural economy. The GST collection in July 2020 was close to 90% of normal, indicating that trade and consumption are picking up following partial opening up of the economy. However, there does exist a fair probability of conditions remaining uncertain over a longer duration as the pandemic is yet to abate, both globally and locally, with no concrete solutions for cure or vaccination being available as of date. Robust recovery in private final consumption is dependent on the opening up of the remaining sectors, faster restoration of lost jobs, revival of small and medium businesses & vocations, and providing gainful employment to migrant workmen at places where they have resettled.

Apart from the Covid induced threat, India is forced to keep its borders safe. The developing 'trust deficit' between China and many countries is throwing challenges as well as opportunities.

Every business and every venture has to discover its own ways to adapt to the new normal, find innovative ways in every aspect – design, development, strengthening digital processes, manufacturing processes, utilisation of human resources, logistics, marketing, distribution and so on. In a nutshell, not just the country, every citizen and every institution should learn to be "self-reliant". The one who moves swiftly and takes proactive measures is bound to sail through these turbulent times and emerge stronger.

With the above background I shall proceed to briefly cover the highlights of FY 20 and the steps being taken by your Company to stay stronger.

FINANCIAL YEAR 2019-20

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 Subsidiaries. The Directors Report vividly covers the impact of Covid 19 on the company, the current standing point, outlook and future strategy.

Your company had to deal with the following major challenges during FY 19-20.

- a. Higher base effect of FY 19
- b. External factors affecting operations of direct rural channel and a major customer putting the operations on hold for most part of the year
- c. Developments and churn in the large format channel and major dependence on one customer
- d. Covid pandemic bringing a halt to business in March 2020 resulting in a loss of sale of Rs.70 crores in that month alone that lead to a contribution loss of Rs.20 crores and the need to absorb idle overheads to the tune of Rs.5 crores caused by the lockdown.

The factors mentioned in (b) and (c) above created a gap of more than Rs.150 crores in sales but your Company swiftly acted to enlarge the customer base both in the direct rural channel as well as modern large format channel, thus largely bridging the gap. This resilience and launch of the Swachh range of pressure cookers gave good gains in February 2020 as well as earlier part of March 2020. Unfortunately, the Covid Pandemic dented further building of the business on the broad-based platform. In the light of these factors, the achievement of a turnover of Rs.1937 crores (marginally lower than the Rs.1968 crores of FY 19) is considered commendable.

In spite of severe constraints as explained above, the EBITDA remained healthy at Rs.286 Crores (PY Rs.311 Crores). The net profit after tax was higher at Rs.198.51 Crores (PY 190.31 Crores). The standalone EPS was Rs.143.21 (PY Rs.137.30).

'Cleaning Solutions' business launched in FY 2017-18 is progressing satisfactorily in the markets in which products under this category have been launched.

Prestige Xclusive Channel has been expanded and we now have 588 stores in place.

Your Company by and large completed the capacity expansion programmes for Pressure cookers and Cookware at various locations and is looking forward to using them optimally in the coming years.

Notwithstanding the difficult times, your Company continued to maintain its overall market share in the core product categories.

DIVIDEND:

In view of the uncertainty caused by Covid 19, your Directors considered it prudent to recommend a lesser rate of dividend at Rs.20/-per share (PY Rs.30 per share) and would consider paying an interim dividend during FY 21 based on easing of uncertainties that require preservation of cash.

Finances:

On a stand-alone basis, your Company is debt-free and carried a free cash of around Rs. 365 Crores (including short-term liquid investments) as on 31.3.2020 after incurring significant amounts of capital expenditure. Notwithstanding the complete lockdown conditions from 22nd March till mid-May 2020, your Company did not resort to pay cuts and paid full remuneration to all including those on contractors' roles. All vendors were paid within due dates to ensure that they discharged their dues to their workmen. In spite of loss of business for half of Q1 of FY 20 and absorption of idle cash costs, your Company carries a free cash of over Rs.390 crores as on the date of this AGM.

Brand Salience & Recognitions

Prestige brand continues to be recognized as the Super Brand in the Kitchen Segment. Various recognitions for your company's innovations and stature have been mentioned in the Annual Report. I am happy to share that Prestige is ranked as the 5th most trusted brand of India in the consumer durable industry.

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.

CRISIL continues to rate your Company as 5/5 in terms of fundamentals.

Going Forward – Taking on the challenge of Covid 19

At the outset I mentioned that, "Every business and every venture have to discover its own ways to adapt to the new normal, find innovative ways in every aspect. The one who moves swiftly and takes proactive measures is bound to sail through these turbulent times and emerge stronger". Your Company considers this challenge as an opportunity and a few of the important steps taken are as follows:

- a. To be compassionate to all stakeholders and build confidence, morale and goodwill. We did not resort to job cuts or pay cuts and discharge obligations to all stake holders within due dates. Invested in healthcare programmes for all employees. Ensured that large sections of workmen, including migrant workmen, stayed closer to manufacturing locations so that manufacturing operations are not impaired due to non-availability of workmen.
- b. Your Company did not resort to knee-jerk cost cutting measures to show profits in the short run. Instead focused on efficiency improvement that can yield a long-term benefit and reduce the break-even threshold.

- c. Invested in building a robust IT system and digital mode to keep communication with every stakeholder continuously.
- d. Used the lockdown period to conduct leadership and skill development programmes for all levels of employees so that they come to terms with the new normal and work more efficiently than before.
- e. Used the lock down period to reconfigure the lay out and processes in manufacturing locations to conform to distancing norms yet improve efficiency and productivity per machine hour and man hour.
- f. Used the lock down period to spend more quality time on design and development of new products/SKUs in various categories.
- g. Your company educated and supported the general trade channels and PXL network and oriented them to online booking of orders and home delivery so that not a single opportunity to sell is missed. In the same way, service network was also geared up to attend to all the pending service requests that accumulated in sizable numbers during the lockdown period.
- h. Sales force have been trained and provided necessary IT support to deal with the trade partners digitally without the need to undertake the risk of travelling till the conditions for travel improved.
- i. Identified local vendors to eliminate dependence on import from China for certain finished goods. Your company has taken the bold step of stopping imports of finished goods from October of this year. All efforts are being taken to move manufacturing to India wherever possible and also finding alternative sources where absolutely necessary.
- j. Strengthened interactions with export customers to reinforce that your Company can be a viable alternative to China for sourcing products from our India facilities.

The above steps are yielding good results. Your Company was able to seize the opportunity to start selling, the moment the lockdown eased in early May 2020. Though practically half of Q1 of FY 21 was lost, your company achieved around 47% of its revenue of the comparable quarter of FY 20. During the month of June 2020, your Company achieved over 90% of the sale of June 2019 in spite of the fact that many major channels had not opened up. Export orders are looking better than last year. Improved efficiencies enabled your Company to register decent profits in Q1 of FY 21 even after absorbing idle overheads of more than Rs. 20 crores.

The sales performance for Q2 of FY 21 is gaining momentum and it is expected that at the end of August 2020, sales would mostly at pre-covid levels in spite of many markets still being disturbed and many channels yet to start off. All the manufacturing and sourcing locations are operational and capacity utilisation is in sync with the market requirements and inventory norms. This momentum is encouraging, as 30% of the channels are yet to open up. Pent up demand as well as postponement of marriages and other celebrations to second half of FY 21 can pave the way for a greater demand in the second half of FY 21.

I believe that the new normal of working from home and eating healthy food cooked at home will augur well for the kitchen and home appliances industry. As a brand leader, backed by innovation and distribution strength, your Company is in an advantageous position to penetrate well into more households. There is bound to be a shift in channel preferences of consumers and channel mix and churn will be the order of the future. Your Company is well equipped to reach the ultimate consumer irrespective of any change in his choice of the channel.

As you 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”. Based on this vision your Company had developed strategies to increase its product base and customer base across India both rural and urban, as also exports, so as to double the turnover in about 5 years. The Covid pandemic has become a speed breaker and it may take a year or two more to reach this milestone. The investment on innovation and search for inorganic opportunities are always on. The blueprint that has been prepared is still relevant and may require some tweaking in tune with the changed conditions.

Acknowledgement:

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

