

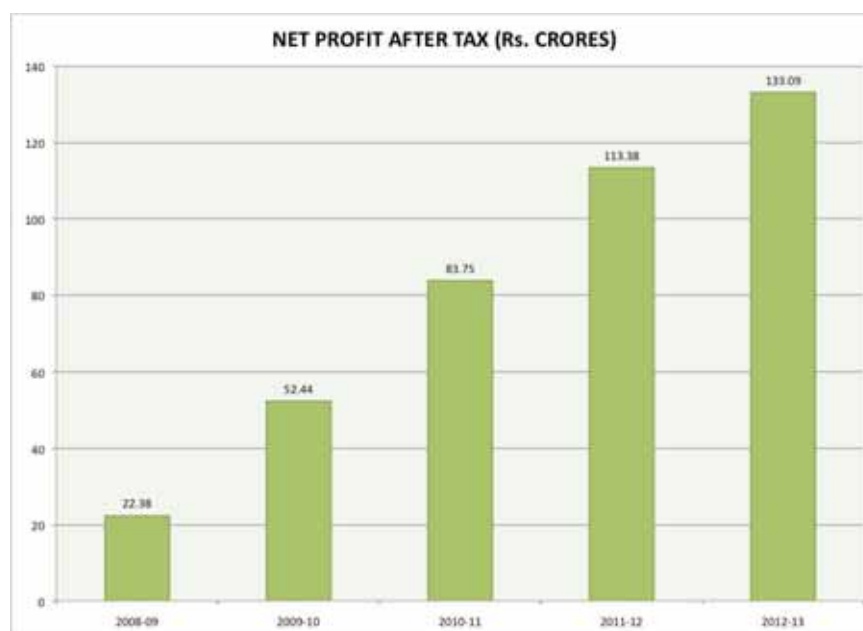
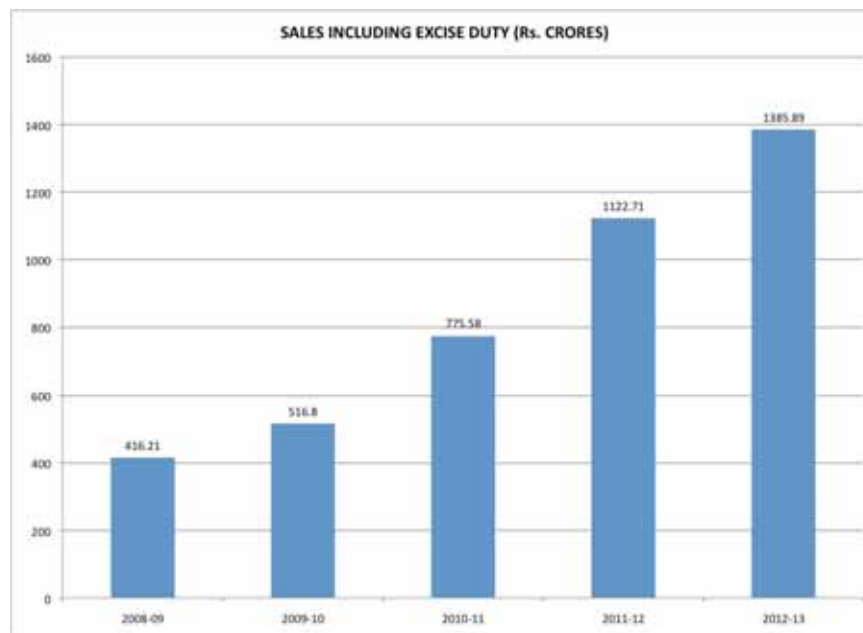


SUSTAINED GROWTH. SUSTAINED PROFITS.

TTK Prestige
LIMITED

ANNUAL REPORT 2012-13





TTK PRESTIGE LIMITED

FIFTY SEVENTH ANNUAL REPORT 2012 - 13

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BOARD OF DIRECTORS

Shri. T.T. Jagannathan	Executive Chairman
Shri. T.T. Raghunathan	Vice Chairman
Shri. S. Ravichandran	Managing Director
Shri. Ajay I. Thakore	Director
Shri. R. Srinivasan	Director
Dr. (Mrs.) Latha Jagannathan	Director
Dr. (Mrs.) Vandana R. Walvekar	Director
Shri. Dileep K. Krishnaswamy	Director
Shri. Arun K. Thiagarajan	Director
Shri. K. Shankaran	Director & Whole-time Secretary

STATUTORY AUDITORS

M/s. S. Viswanathan
Chartered Accountants
27/34, II Floor, Nandi Durg Road, Jayamahall Extension, Bengaluru - 560 046.

REGISTERED OFFICE & WORKS
Plot No. 38, SIPCOT Industrial Complex
Hosur - 635 126, Tamil Nadu.

CORPORATE OFFICE
11th Floor, Brigade Towers
135, Brigade Road
Bengaluru - 560 025.

FACTORIES
82 & 85, SIPCOT Industrial Complex
Hosur - 635 126
Tamil Nadu.

SF-234/1, Pollachi Road
Myleripalayam Village
Coimbatore - 641 032
Tamil Nadu.

Plot No. 1A & 2
Dev Bhoomi Industrial Estate
Roorkee - 247 667
Uttarakhand.

BANKERS

1. Canara Bank, Prime Corporate Branch
Shankaranarayana Building, M.G. Road
Bengaluru - 560 001.
2. Bank of Baroda
CFS Branch, Brigade Road
Bengaluru - 560 025.
3. HDFC Bank Ltd.
Richmond Road
Bengaluru - 560 025.

REGISTRARS & SHARE TRANSFER AGENTS

Karvy Computershare (P) Limited
Plot No. 17-24, Vittal Rao Nagar, Madhapur
Hyderabad - 500 081.

BRANCHES

Ahmedabad, Bengaluru, Chandigarh, Chennai, Cuttack, Delhi, Dehradun, Ernakulam, Ghaziabad, Goa, Gurgaon, Guwahati, Hubli, Hyderabad, Indore, Jaipur, Jamshedpur, Kolkatta, Lucknow, Ludhiana, Mumbai, Parwanoo (HP), Patna, Pune, Raipur, Trichy and Vijayawada.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifty Seventh Annual General Meeting of **TTK PRESTIGE LIMITED** will be held at Rennaissance Sarovar Portico, No. 422, SIPCOT Phase II, Bengaluru Road, Hosur - 635109 **on Monday, the 15th July, 2013 at 10.15 a.m.** to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2013 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Ajay I Thakore who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. (Mrs.) Vandana Walvekar who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint a Director in place of Mr. K. Shankaran who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint the Auditors of the Company for the ensuing year and authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

7. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. T.T. Jagannathan be and is hereby appointed as a Director under the provisions of Sec. 257 of the Companies Act, 1956".

8. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections.198, 269, 309, 310, 311 & Schedule XIII and other applicable provisions of the Companies Act, 1956 and the Articles of Association of the Company, the re-appointment of Mr. T.T. Jagannathan as Executive Chairman of the Company for a further period of 5 years from 1st July, 2013 by the Board of Directors on the terms and conditions specified in the explanatory statement to this resolution be and is hereby approved".

"RESOLVED FURTHER THAT during any year of loss or inadequacy of profits, Salary and Allowances fixed by the Directors together with other perquisites shall be paid as minimum remuneration and that the Board of Directors be and are hereby authorized to make an application to the Central Government as may be necessary if such minimum remuneration exceeds the ceiling, if any, prescribed under Schedule XIII to the Companies Act, 1956 or any statutory modifications thereof as may be in force from time to time."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to revise the remuneration and benefits to Mr. T.T. Jagannathan from time to time within the ceiling prescribed under Schedule XIII to the Companies Act, 1956 or any statutory modifications thereof as may be in force from time to time."

9. To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Sec.198, 309 and other applicable provisions of the Companies Act, 1956, sanction be and is hereby accorded to enable payment of Commission to directors who are not managing or whole time directors up to 1% of the net profits of the Company for each financial year computed in accordance with Sec.198(1) of the Companies Act, 1956 and that the actual quantum of such Commission be determined by the Board of Directors and divided between such directors by agreement between them or as determined by the Chairman".

"RESOLVED FURTHER THAT the above resolution shall be valid for a period of 3 financial years commencing from 1st April 2013 to 31st March 2014 and ending with 1st April 2015 to 31st March 2016".

By Order of the Board

Place : Bengaluru
Dated : 11th June, 2013

K. SHANKARAN
Director & Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF ONLY ON A POLL AND THE PROXY NEED NOT BE A MEMBER. THE PROXIES SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Dividend on Equity Shares as recommended by the Board of Directors, if declared at the Meeting, will be paid to those Shareholders whose names appear in the Register of Members on 4th July, 2013.
3. Members are requested to intimate the Company, changes if any, in their registered address at an early date.
4. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updations of savings bank account details to their respective Depository Participants.
5. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS SHALL REMAIN CLOSED FROM 5th July, 2013 TO 8th July, 2013 (BOTH DAYS INCLUSIVE)
6. Members are requested to bring their copy of the Annual Report to the Meeting.
7. Those members who have so far not encashed their Dividend Warrants for the below mentioned financial years, may

claim or approach the Company's Share Transfer Agents for the payment thereof as the same will be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to Section 205C of the Companies Act, 1956 on the respective due dates mentioned there against. Kindly note that after such date, the members will not be entitled to claim such dividend.

Financial Year Ended	Due Date of Transfer
31 st March, 2006	28-8-2013
31 st March, 2007	09-8-2014
31 st March, 2008	24-7-2015
31 st March, 2009	11-8-2016
31 st March, 2010	28-6-2017
31 st March, 2011	13-7-2018
31 st March, 2012	01-7-2019

8. In line with the Green Initiative taken by the Company and the guidelines issued by Ministry of Corporate Affairs in this regard, we are sending documents like Notices, Financial Statements etc. to the email address provided by you. We request you to update your email address with your depository participant to ensure that the documents reach you on your preferred email account.
9. Information required under Clause 49 VIA of the Listing Agreement with the Stock Exchange with respect to the Directors retiring by rotation and being eligible seeking re-appointment are as under:

1. Mr. Ajay I Thakore

Mr. Ajay I Thakore retires by rotation and is eligible for re-election.

Mr. Ajay I Thakore is a Chartered Accountant and a practising Advocate & tax consultant. He has been on the Board of the company since 1974.

He is the Chairman of Chandramouli Holding & Leasing (P) Ltd and Ardheesh Chemicals Pvt. Ltd.

Mr. Ajay I Thakore is a member of Audit Committee and Remuneration Committee of the Company.

He holds 672 shares in the Company.

The Resolution is commended for adoption.

None of the Directors except Mr. Ajay I Thakore is deemed to be interested in this Resolution.

2. Dr. (Mrs.) Vandana Walvekar

Dr. (Mrs.) Vandana Walvekar retires by rotation and is eligible for re-election.

Dr. (Mrs.) Vandana Walvekar is a Gynaecologist. She has been on the Board of the Company since 1975.

She is a member of Audit Committee & Remuneration Committee of the Company.

She holds 672 shares in the Company.

The Resolution is commended for adoption.

None of the Directors except Dr. (Mrs.) Vandana R. Walvekar is deemed to be interested in this Resolution.

3. Mr. K. Shankaran

Mr. K. Shankaran retires by rotation and is eligible for re-election.

Mr. K. Shankaran is a qualified Cost & Management Accountant and Company Secretary. He has been the whole time Secretary of the Company since 1990. He was inducted into your Board from 1993.

Mr. K. Shankaran is also on the Board of TTK Healthcare Limited, TTK Healthcare TPA (P) Limited, TTK Services (P) Limited and TTK Property Services (P) Limited.

He is a member of Shareholders'/Investor Grievance Committee, Remuneration Committee and Audit Committee of TTK Healthcare Limited.

He holds 1100 shares in the Company.

The Resolution is commended for adoption.

None of the Directors except Mr. K. Shankaran is deemed to be interested in this Resolution.

By Order of the Board

Place : Bengaluru
Dated : 11th June, 2013

K. SHANKARAN
Director & Secretary

Registered Office:
Plot No. 38,
SIPCOT Industrial Complex,
HOSUR - 635 126,
Tamil Nadu.

Information to Members

For the convenience of Members, the Company will provide a coach service from Bengaluru on the day of the Meeting. The coaches will leave for Hosur at 9 a.m. from Madiwala Police Station. Members who want to use this facility may kindly inform the Secretarial Department (Ph: 22218817) and e-mail to manju@ttkprestige.com giving their Name and Folio Number/D.P. ID on or before 10th July 2013, after which it will be difficult to accommodate your request for transfer facility.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM No. 7

Mr. T.T. Jagannathan is proposed to be appointed as a Director under provisions of Sec. 257 of the Companies Act, 1956. Requisite Notice along with deposit has been received from a member. The resolution is commended for adoption. Required particulars are provided under Item No. 8.

ITEM No. 8

Re-Appointment of Mr. T.T. Jagannathan as Executive Chairman.

The current office of Mr. T.T. Jagannathan as Executive Chairman is valid up to 30th June 2013.

The Board of Directors at their meeting held on 16th May 2013 have re-appointed Mr. T.T. Jagannathan for a period of 5 years from 1st July 2013

His terms of appointment as fixed by the Remuneration Committee and approved by the Board of Directors and which have already been circulated to the members under Sec. 302 of the Companies Act, 1956 are as follows:

A.	Salary	₹ 5,00,000 per month in the pay scale of ₹ 5,00,000 - ₹ 10,00,000.
B.	1. Housing	House Rent Allowance of 60% of the salary over and above 10% payable by the appointee.
	2. Gas, Electricity & Water	The expenditure incurred by the Company on Gas, Electricity, Water, Furnishings etc., shall be valued as per Income Tax Rules, 1962 subject to a ceiling of 10% of the salary.
	3. Medical	One month's salary in a year or three month's salary over a period of three years for self, wife, children and dependents.
	4. Leave Travel Assistance	For self and family, to and fro Airfare and other related expenses to any place in India or abroad once a year.
	5. Club Fees	Fees for two clubs not including admission and life membership fee.
	6. Personal Accident Insurance	Personal accident cover, as per the rules of the company.
C.	Other Benefits	
	1. Provident Fund contribution	- As per rules of the company.
	2. Superannuation contribution	- As per rules of the company.
	3. Leave and Leave encashment benefits	- As per rules of the company
	4. Gratuity	- As per rules of the company
D.	1. Car	Free use of Company maintained car with driver.
	2. Telephone	Telephone at residence

E.	Commission	The Appointee will be entitled to Annual Performance Bonus Commission up to a maximum of 4% of the net profits of the Company computed in accordance with Sec.198 of the Companies Act, 1956 as fixed by the Remuneration Committee and approved by the Board of Directors. However, the Performance Bonus/Commission so paid plus his substantive salary as referred to above from A to C shall not exceed the ceiling prescribed under the Act which is currently at 5% of the net profits.
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The above remuneration exclusive of Commission shall be paid as minimum remuneration in the year of loss or inadequacy of profits. If such minimum remuneration is in excess of ceiling, if any, prescribed under Schedule XIII to the Companies Act, 1956, or any statutory modifications thereof, the company shall seek permission of Central Government as may be necessary in accordance with provisions governing payment of remuneration in force at the relevant point of time.

The re-appointment of and his terms of remuneration require the approval of the Shareholders in General Meeting. Hence the resolution is placed before the meeting.

Mr. T.T. Jagannathan is a Gold Medalist from the Indian Institute of Technology, Madras and did his Masters in Operations Research in Cornell University, USA. He has been on the Board of the Company for the last 38 years.

Mr. T.T. Jagannathan, Mr. T.T. Raghunathan and Dr. (Mrs.) Latha Jagannathan are deemed to be interested in the resolution. The resolution is commended for adoption.

ITEM No. 9

The Non Executive Directors and the independent Directors of your company bring with them significant professional expertise and rich experience across a wide spectrum of functional areas such as marketing, technology, corporate strategy, information systems and finance.

The Board is of the view that it is necessary that adequate compensation should be given to the Non-Executive Directors and the Independent Directors so as to compensate them for their time and efforts and also to retain and attract the pool of talent for the growth and prosperity of the Company.

The shareholders have been periodically passing special resolutions to enable payment of Commission to Directors other than Managing or Whole time Directors subject to a ceiling of 1% of the net profits of the Company computed in accordance with Sec.198(1) and 309 of the Companies Act, 1956. It is proposed to renew the resolution up to the financial year 2015-16 as permitted under section 309(7) of the Companies Act, 1956.

All the directors other than Mr. S. Ravichandran and Mr. K. Shankaran are deemed to be interested in this resolution.

By Order of the Board

K. SHANKARAN
Director & Secretary

Place : Bengaluru
Dated: 11th June, 2013

DIRECTORS' REPORT**(Including Management Discussion and Analysis Report)**

Your Directors have pleasure in presenting their Fifty Seventh Annual Report, together with the Audited Accounts of the Company, for the year ended 31st March 2013 as follows:

FINANCIAL RESULTS

(₹ in lakhs)

	2012-13	2011-12
Sales (inclusive of excise duty)	138589	112271
Other income	473	448
Earnings before tax, interest, depreciation & amortisation	20846	17592
Profit/(Loss) before tax	18520	16326
Tax Provision	5211	4988
Net Profit/(Loss)	13309	11338
Transfer to General Reserve	1500	1134
Proposed Dividend (including tax)	2322	1974
Surplus carried to balance sheet	9487	8230

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. Therefore the performance has to be understood only in the light of the philosophy followed by your Company.

- Sales grew by 23.44% on a higher base after witnessing growths 45% and 50% in the previous two years and against the back drop of a significant slowdown in domestic as well as global economies. In addition, two key Southern States witnessed severe monsoon failure and power crisis for most part of the year under report leading to steep fall in consumption in those States.
- Your Company crossed the milestone of 5 million pressure cookers (including exports) and registered a sales volume of 5.54 million pressure cookers in the year under report.
- Export volumes of pressure cookers crossed the one million mark for the financial year
- Your Company crossed the milestone of 1 million Induction Cooktops and recorded a sales volume of 1.2 million pieces in the year under report. This volume has been achieved within 4 years of launch.
- Your Company gained a very strong foot-hold in the non-south markets across all product categories and this has helped in off-setting the slowdown in the two key southern states, Tamil Nadu and Kerala.
- EBIDTA grew by 18.5%
- Profit after tax increased by 17.38%.
- The operating EBIDTA margin was 15.04% as compared to 15.67% in the previous year. EBIDTA margin is largely influenced by the composition of sales as different product categories yield different margins.
- Earnings per Share (before extra-ordinary/exceptional items) rose to ₹ 117.35 from ₹ 99.97- a growth of 17.39%.

- The ratio of Operating EBIDTA/ Operating Capital employed (excluding CWIP) in the Kitchen Segment is 58.4% notwithstanding substantial additions to asset base for future needs of production.

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

AWARDS AND RECOGNITIONS

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 received the Power Brand award during 2012. Some of your Company's key executives- Mr. Chandru Kalro, Chief Operating Officer, Mr. V. Sundaresan, CFO and Mr. K. G. George (Senior Vice President, Retail) have also been recognized as top performers/icons by reputed external agencies.

Mr. T.T. Jagannathan, Executive Chairman, received the coveted Ernst & Young's "Entrepreneur of the Year" award for the year 2012 in the Consumer Product Category.

Your Company's R&D Centre at Hosur has received recognition from the Department of Science and Technology which will enable your Company to avail certain benefits under Direct and Indirect tax laws subject to prescribed conditions.

MANAGEMENT DISCUSSION AND ANALYSIS**A. ECONOMY /INDUSTRY SCENARIO**

The macroeconomic environment throughout the Fiscal Year 2012-13 was challenging in the backdrop of weak global economic environment as well as a host of domestic factors. The real GDP growth rate was estimated at less than 6% a further drop from the previous fiscal. During the year inflationary trends continued to inhibit consumption. In fact the Private Final Consumption Expenditure (PFCE) grew by a mere 2.3% in 2012-13. The PFCE growth was hovering around 8% till 2011-12.

States like Tamil Nadu and Kerala, suffered heavily due to poor monsoon and power deficit which affected every part of the economy in these States. Andhra Pradesh also went through a slow down due to local economic and market conditions.

Against the backdrop of the above described scenario your company was able to keep up its momentum of growth and grew by about 23.4% in 2012-13 over and above the growth of 45% 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,

TTK Prestige Limited

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.

The Appliance Category – both Home and Kitchen – is witnessing a lot of churn. Both foreign and domestic players are entering the category or expanding their range to cover a host of products in the category. Regional brands are either bought by foreign players or being supported by private equity investors. Some State Governments have started providing select domestic electrical appliances like mixer-grinders; fans etc. free of cost to low income groups. The dynamics of all these can probably lead to generation of demand for branded and upgraded products in the long run.

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.

Driven by the Vision – 'A Prestige in every Indian Kitchen' and the Strategy – "Total Kitchen Solutions" – your Company over the last decade 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 relevant for different consumer segments catering to their respective tastes. This coupled with the sustained investments in Brand and Product Communication across the Indian Market have aided your company to grow aggressively beyond its strong holds of southern markets.

Your Company has already initiated the process to enter Kitchen Storeware and Water-filters. Your Company will explore all opportunities to tap a further range of product categories and extend the brand Prestige to more product categories.

Over the last 10 years your Company has built the strong exclusive retail network 'Prestige Smart Kitchen'. On similar lines your Company is in the process of establishing a dedicated Service Network under the name and style "Prestige Service Centre" with modern and customer friendly ambience. Already more than 100 centres have

been opened and further additions will be made across the country.

Your Company has already started the process of indigenizing manufacture/assembly of certain key products both in Cookware and Appliance Categories which will have favourable impact on supply chain and working capital utilization.

All the above described factors provide a strong platform for your Company to maintain decent growth rates and further broad-base your Company and derisk it from being dependent on limited product range, a few geographies, limited manufacturing/sourcing bases, etc.

The Indian economy is expected to grow at about 6.3% in 2013-14. This expectation is based on several investment clearances during the last one month. The Private Final Consumption Expenditure is also projected to increase by a little more than 6%. If this expectation materializes there is a good opportunity for branded players.

Your Company has been foreseeing as well as taking advantage of all opportunities. For instance, your Company was the first to see a great opportunity in Induction Cooktops and customizing it for Indian Customer and bundle the same with Cookware and Pressure Cookers and create a Total Solution for the customer. Your Company followed it with perfecting the technology and establishing large-scale facilities for induction based products. In a situation where there is cap on subsidized gas cylinders and moving to market related pricing policy for cooking gas, your Company is in the forefront of taking advantage at pan-India level. Your Company will continue with this spirit in the years to come.

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 has contributed immensely during the financial year 2012-13. This product has received patents in USA, Canada and Japan. The patent applications are under processing in many other countries.

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 ₹ Lakhs)

	2012-13			2011-12		
	Domestic	Export	Total	Domestic	Export	Total
Pressure Cookers (including microwave pressure cookers)	44661	6404	51065	38031	3290	41321
Non-stick Cookware	24430	55	24485	22418	51	22469
Kitchen Electric Appliances	44907	-	44907	34944	-	34944
Gas Stoves	12790	-	12790	10084	-	10084
Others	5278	64	5342	3398	55	3453
Total	132066	6523	138589	108875	3396	112271

- Domestic Sales registered a growth of 21.30% while exports registered a growth of 92.08%. The growth in export was contributed mainly by microwave pressure cookers.
- The traditional product categories, namely, Pressure cookers and Cookware registered a growth of 23.58% and 8.97% respectively in domestic market.
- The growth in non-traditional product lines like gas stoves and kitchen electrical appliances has been impressive at 26.83% and 28.51% respectively.
- Sales growth was driven substantially by volumes and also product mix between value-added products and others. Except Non-stick cookware, the volume growth was significant in all other product categories. The severe slowdown in key States of Tamil Nadu and Kerala was well compensated by growth in non-south markets.
- The distribution of products of World Kitchen, USA in the high-end Tableware (Corelle range) and Storeware range contributed about ₹ 9.35 crores. After a review of the sales performance during the FY 2012-13 it has been agreed to restrict the relationship to only Storeware range under the brand SnapWare.
- Operating EBIDTA/ Gross Sales ratio was around 15.04% as against 15.67% in the previous year. The composite margin of your Company is the weighted average of the margins of the Pressure Cookers and Cookware category on the one hand and Stoves & Kitchen Electrical appliances category on the other. The proportion of imported finished goods also has an influence on the margins especially when there are abnormal swings in exchange rates. Thus various operating ratios are unique to your Company and are not strictly comparable to other players whose composition of business may not be similar to your Company. Further based on category mix and seasonal brand/sales promotion activities, the margins will vary from quarter to quarter. As a policy your Company passes increase in input costs to the market save for the lag involved due to pipe line inventory and other related factors.
- 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.
- The interest cost during the year was ₹ 14.26 crores (PY ₹ 6.41 crores) on account of borrowings resorted to fund the expansion requirements.
- Own manufactured and domestically sourced products contributed to 66% of the turnover as against 62% in the previous year. The imported products contributed to 34% of the turnover as against 38% in the previous year. This composition also influences the margin as well as working capital investments.
- Your Company continues to maintain strict control over working capital. Your Company continues to raise significant operating free cash flows which enable your Company to fund the various capital expenditure programmes without resorting to high gearing. The Debt: Equity ratio is not significant.
- During the year under report your Company introduced around 110 new SKUs covering Pressure Cookers, Induction Cook Tops, Mixer Grinders, Rice Cookers, Gas Stoves and other small electric appliances.
- Your company continues to consolidate and expand Prestige Smart Kitchen retail network. Your company extended its coverage to another 46 towns. The net addition to the number of stores was 79. The number of outlets as at 31.3.2013 was 433. The network now covers 21 States and 225 towns. The spread of the network is also evenly distributed between Metros, Mini-Metros, Tier 1, Tier 2 and Tier 3 cities. About 69% of the Stores are located in South and the balance in Non-South.

2. Properties & Investment :

The shareholders are aware that pursuant to shifting of factory operations to other places, the land at Dooravaninagar Bengaluru 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. The Developers have informed us that the project is progressing satisfactorily and would be completed by end of calendar year 2014. Your Company's inflows from this activity will consist of one time sale proceeds of residential allocation to which your Company is entitled as well as rentals from lease of office space allocated to your Company. The cash inflows are expected to materialize during FY 2014-15.

D. OUTLOOK

As mentioned in the earlier part of this report, the general economic scenario is clouded by several factors comprising of global recession, poor monsoon and power, infrastructure and so on. The rate of growth in the domestic economy has been continuously falling over the last three years. There does exist uncertainty over the spending power of the

TTK Prestige Limited

consumer in the immediate future on account of inflation. However it is expected that the economy would get into growth mode from July/August 2013 based on the progress of monsoon. The various power projects in Tamil Nadu are also expected to come into stream during the second quarter of current fiscal. Under the circumstances your Company expects to register reasonable growth from the second quarter onwards.

Your Company has already taken significant initiatives for indigenizing manufacture/assembly of certain key products both in Cookware and Appliance Categories which will reduce dependence on imports of fully finished goods and have favourable influence on transaction costs and working capital investments.

E. RISKS AND CONCERNS

The various general economic risks and concerns which can impact your Company have already been outlined in the preceding sections. The concerns largely center on external factors.

Your Company is continuously improving its efficiencies and is hopeful of dealing with the various challenges described in the preceding sections. 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 credit lines from banks in order to fund the growth and expansion of your Company. The outstanding borrowing as on 31.3.2013 was around ₹ 115 crores.

H. INVESTMENTS

There are no changes in the investments of the company. Pursuant to the sanction of the Scheme of Amalgamation, the investments in the shares of M/s. Prestige Housewares India Limited, to the tune of ₹ 37.38 lakhs stood cancelled.

I. INTERNAL CONTROL SYSTEMS

Your Company is continuously making improvements in internal control systems commensurate with the increasing operations. Independent team of Internal Auditors/ Management Auditors are carrying out internal audits and advising the management on strengthening of internal control systems including risk management.

J. DEVELOPMENTS IN HUMAN RESOURCES

Having due regard to the long-range plan, your Company has initiated all round HR development activities including improved organisation structure and leadership development. Your Company has engaged the services of Aon Hewitt, a world renowned consulting firm for this purpose.

The direct employment strength stood at 1306 as compared to 1141 in the previous year.

Your Company continues to have cordial industrial relations in all its manufacturing units.

CAPITAL EXPENDITURE & EXPANSION PLANS

As already reported your company has completed most of its capital expenditure investments in Uttarakhand, Coimbatore and Hosur units. All these facilities are delivering good volume of commercial production.

The installation of plant in Gujarat is in advanced stage and the facility is expected to commence production during the second half of FY 2013-14. Though the commissioning is delayed, there is no cost overrun.

The overall capital expenditure plan (other than normal capital expenditure) for the three years commencing April 2010 is pegged at around ₹ 325 crores out of which around ₹ 275 crores has been incurred till 31st March 2013 and the balance will be incurred during the financial year 2013-14. With this, your Company would have installed sufficient capacities for Pressure Cookers and Cookware to meet the long-term requirements and would have also created facilities for assembly of appliances.

SCHEMES OF ARRANGEMENT:

1. Under the Scheme of Amalgamation with M/s. Prestige Housewares India Limited (PHIL) sanctioned by the Honourable Madras High Court at Madras during the year under report your Company allotted 20106 equity shares of ₹ 10/- each to the shareholders of PHIL. The appointed date of the Scheme being 1.4.2011, the previous year figures have been suitably adjusted in the Annual Report.
2. During November 2012 the Board of Directors of your Company approved a Scheme of Arrangement (Demerger) whereby the Kitchen Appliances Division of M/s Triveni Bialetti Industries Private Limited (TBI), (a subsidiary of M/s. Bialetti Industries SpA, Italy) with all its assets, rights, liabilities, obligations, benefits under tax laws etc., will be vested in your Company, the Appointed Date being 1st April 2012. The Scheme has been approved by the Stock