

TTK Healthcare Ltd.

₹ 523

Health Insurance goes OTC! Accumulate

Nov 22, 2013

Company Background

TTK Group has roots in business since 1928. It has built up a reputation across eight decades with path-breaking marketing ideas by providing quality consumer products at affordable prices. TTK Healthcare Ltd., a part of the TTK Group was incorporated in 1958 and went public in 1985. TTK Healthcare's current brand wagon consists of products that are sought after by a wide range of customers many of them market leaders in their category, ranging from Woodward's Gripe Water to Eva (personal care products), Kiwi (shoe care), Brylcreem (haircare) and Kohinor, Durex & Skore (Contraceptives). The Company also specializes in sales and distribution in India as a joint venture partner. It has a successful tie up with Sara Lee Household & Bodycare Pvt. Ltd. & TTK-LIG Ltd. Its distribution network comprises of 2800 redistribution stockists who cover both the urban and rural consumers. TTK Healthcare has three Strategic Business Units : Pharamaceuticals Divison, Consumer Products Division, Biomedical Devices Division. Apart from the SBUs, their Satellite Divisions are : Foods, Maps.

Key Highlights

- ➔ U.S. health service giant Cigna Corporation, TTK Group have entered into a joint venture to sell health insurance products in India. The CignaTTK JV has applied for requisite registration to carry on insurance business in India.
- ➔ The TTK Heart Valve Division manufactures and distributes India's first indigenous heart valve prosthesis - the tilting-disc TTK Chitra Heart Valve. The only Indian-made heart valve, it is also the most price-friendly & so far nearly 80,000 Chitra valves have been successfully implanted in patients. The division also manufactures and markets Clinimesh - a versatile prosthesis for surgical reconstruction of thoracic and abdominal wall defects, Clinistern - stainless steel needled suture for sternum closure and Clinipatch - a versatile prosthesis for surgical reconstruction of septal wall defects.
- ➔ The TTK Ortho Division has a technical collaboration with Dr. M. J. Pappas and Dr. F. F. Buechel's M/s. BP Trust for the manufacturing of Total Knee, Hip, Shoulder and Ankle joints. These designs are US FDA approved and are a result of over 25 years of development, clinical investigation and use.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	3,153.3	3,584.4	3,890.4
Rev. growth (%)	23.20	13.67	8.54
EBITDA (INR mn)	265.6	286.9	272.3
Net profit (INR mn)	147.2	156.3	142.0
Shares outstanding (mn)	7.8	7.8	7.8
EPS (INR)	18.9	20.1	18.3
EPS growth (%)	61.23	6.18	(9.15)
P/E (x)	21.3	19.4	22.1
RONW (%)	22.5	20.3	16.2
ROCE (%)	18.6	16.9	13.2

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: TTKH.BO
Bloomberg	: TTKP@IN
NSE	: TTKHEALTH
BSE	: 507747

Market Data

52 Wk Range (₹)	: 663 / 380
Shares in Issue (mn)	: 7.8
Mkt. Cap (₹ bn)	: 4.03
BSE 2 Wk Avg Vol	: 779000

Share Holding Pattern (%)

Promoters	: 65.43
DII's	: 2.14
FII's	: 5.35
Others	: 27.08

Investment Theme

TTK has a well diversified business model with its SBU's delivering products ranging from personal care to foods and bio-medical devices to insurance. TTKHC has seen continuous growth over the years and has invested heavily in new research and product development. Its recent strategy now speaks of aggression along all its productline. It has kept a focus of tripling the turnover and quadrupling the EBIDTA which will require company to be taken into new level of Brand Strength, Market Research & Profitability. TTKHC is therefore looking out for newer markets and newer products. Its recent market expansions and search of newer products like the CignaTTK JV speak about the same where TTKHC plans to make healthcare insurance an OTC product. The previous performance with the current aggression make us believe that growth would be regular going forward.

Whats the Skore !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	3109.4	3537.4	13.76	3823.0	8.07
Other Income	43.7	46.7	6.86	66.5	42.40
Change in Stocks	36.5	60.6	66.03	(54.4)	(189.77)
Raw Material Con.	115.6	133.7	15.66	205.8	53.93
Employee Exp.	368.2	435.6	18.31	529.5	21.56
Indirect Taxes	1.5	1.6	6.67	1.8	12.50
Other Exp.	2442.2	2789.0	14.20	2831.4	1.52
Operating Exp.	2891.0	3299.3	14.12	3622.9	9.81
Operating Profit	218.4	238.1	9.02	200.1	(15.96)
Total Interest	18.4	26.3	42.93	25.4	(3.42)
Gross Profit	243.7	258.5	6.07	241.2	(6.69)
Net Dep.	22.3	23.0	3.14	25.0	8.70
Total Taxation	74.2	79.2	6.74	74.2	(6.31)
Net Profit/Loss	147.2	156.3	6.18	142.0	(9.15)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	742.3	843.6	1,013.2	1,160.4
Equity Share capital	77.7	77.7	77.7	77.7
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	521.8	632.9	753.1	858.7
Long Term Loans	0.0	8.9	7.0	8.5
Short Term Loans	142.8	124.1	175.4	215.5
USES OF FUNDS	742.3	843.6	1,013.2	1,160.4
Gross Block	459.0	557.1	584.6	702.0
Less : Revaluation Reserves	47.2	46.7	46.1	45.7
Less : Accumulated Depreciation	218.8	231.0	251.1	267.7
Net Block	193.0	279.4	287.4	388.6
Capital Work in Progress	63.2	47.8	59.4	3.1
Investments	81.5	68.3	67.6	7.6
Current Assets	1,166.3	1,492.1	1,469.6	1,656.8
Less : Current Liabilities	761.7	1,044.0	870.8	895.7
Total Net Current Assets	404.6	448.1	598.8	761.1
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	70.2	60.0	60.0	0.0
Mkt Val. Quoted Investments	0.0	33.7	44.2	48.7
Contingent Liabilities	155.6	217.5	214.2	382.6
Dividend (%)	35	40	40	40

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 12	Mar 13	Jun 13	Sep 13
Net Sales	922.30	859.10	1,091.30	1,007.20
Cost Of Sales	885.90	827.60	1,059.30	951.10
Operating Profit	36.40	31.50	32.00	56.10
Recurring Income	22.80	19.90	14.50	14.80
Adjusted PBDIT	59.20	51.40	46.50	70.90
Financial Expenses	6.40	6.20	7.40	7.80
Depreciation	7.10	7.30	7.20	7.50
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	45.70	37.90	31.90	55.60
Tax Charges	15.10	15.40	11.60	19.40
Adjusted PAT	30.60	22.50	20.30	36.20
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	30.60	22.50	20.30	36.20

52 Week Index Relative Percentage Appreciation



TTKHC vs SENSEX

Points to Ponder

Spreading roots worldwide, TTK Healthcare's products are now sought after in the overseas market too. There is an increasing demand for the company's products in the Middle East, Africa, Asia, etc. Demand for Ready to fry food pellets has shown an upward trend, especially from Middle East markets. Herbal pharmaceuticals e.g. Arthrid & Virilex tablets are finding positive acceptance in Malaysia, Indonesia & Myanmar. TTK Chitra Heart Valves & Hernia Repair Mesh have been successfully implanted in Kenya, South Africa, Bangladesh, Srilanka & Nepal. To cater to the growing overseas market, the Company has set up an Export Division to handle the whole of its product range. It is poised to spearhead the overall Group strategy in becoming a global player.

Risks Associated

The Product Patent Regime has restricted the access for Indian Pharma Companies to the latest molecules which were earlier available. Further there has been rapidly changing new drug discovery technologies and processes at the global level and the Indian Pharmaceutical industry requires huge capital investment to upgrade facilities to match International Standards. MNCs and Foreign Companies have an edge over the domestic companies in this area. The personal care division is advertising dependant and does not have many entry level barriers and so is the baby care, The biomedical devices division is very research intensive and there are not many products in pipeline. The insurance is a totally new new area TTK is venturing into.

In a Nutshell

TTK Healthcare (TTKHC) is a diverse company operating through its pharmaceuticals, consumer products, biomedical devices, foods and maps divisions. TTKHC operates the Eva range of women's personal care products. Baby care products by the Woodward's brand. The ethical products business deals in herbal and allopathic pharmaceutical formulations in various therapeutic segments. The product range includes calcium supplements, haematinics, cervical dilator, thrombolytic agents, rejuvenators, multimineral supplements, galactagogues, liver correctives, pain management products, anti-ulcerants, etc. This division caters to gynaecologists, physicians, orthopaedists, cardiologists and general practitioners. Ventura, the herbal products division, is present in 13 regions across India with a coverage of around 30,000 doctors every month. It has introduced new products like LYCO-Q, for male infertility; Arthrid Oil, for arthritis; and Utronorm Forte, a poly herbal uterine tonic. The veterinary formulations division offers liver correctives, calcium and phosphorus supplements, anthelmintics, antibiotics, ectoparasiticides, etc. TTKHC's major contribution to healthcare has been the manufacture of India's first indigenous heart valve prosthesis. Nearly 80,000 heart valves have been successfully implanted in patients. The coronary stent project is also in an advanced stage of progress. The publications division is the largest producer of maps and map-based publications in the private sector. The foods division manufactures potato and cereal based pellets in its state-of-the-art facility for markets in India and abroad. TTKHC has as well developed domestic sales network. Its export division caters to the export markets of Middle East, Africa, Asia and develops new markets.

Indira Group Offices

Registered Office	: Singh House, 3rd Floor, 23/25 Ambalal Doshi Marg, Fort, Mumbai 400023
	Tel : +91-22-22656812 Fax : +91-22-22656985 Email : im@indiratrade.com
Administrative Office	: Ramavat House, E-15 Saket Nagar, Indore 452018
	Tel : +91-731-2566361 Fax : +91-731-2562117 Email : ii@indiratrade.com
Institutional Dealing Unit	: Africa House, 3rd Floor, 5 Topiwala Lane, Lamington Road, Mumbai 400007
	Tel : +91-22-30080675 Fax : +91-22-23870767 Email : ie@indiratrade.com

Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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