

CMP: INR 900

Outlook: Positive

Stock Info

BSE	507747
NSE	TTKHEALTH
Bloomberg	TTKP:IN
Sector	Pharmaceuticals
Face Value (INR)	10
Equity Capital (INR Cr)	14
Mkt Cap (INR Cr)	1,263
52w H/L (INR)	999/ 622
Avg Yearly Vol (in 000')	19

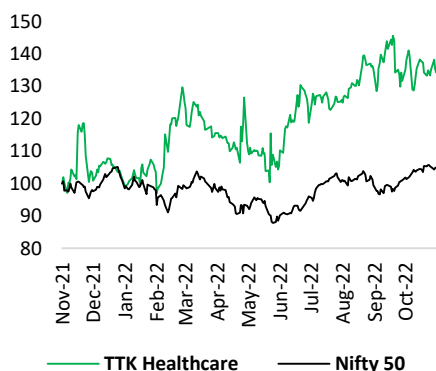
Shareholding Pattern %

(As on Sept, 2022)

Promoters	74.6
FII	2.4
DII	2.2
Public & Others	20.8

Stock Performance (%)	1m	3m	12m
TTK Healthcare	(1.0)	7.0	33.7
Nifty	3.5	4.2	5.37

TTK Healthcare Vs Nifty



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TTK healthcare incorporated in 1958 as a subsidiary of the TTK Group, is a diversified company that has a presence in consumer products, foods, protective devices, animal welfare, medical devices, and publications. The company also had a presence in human pharmaceuticals which has now been divested in a slump sale for a consideration of INR 805 Cr to M/s BSV Pharma Pvt Ltd, with effect from 9th May, 2022. 74% of the consideration was on a cash basis, and the remaining 26% was through equity shares.

Investment Rationale:

Salience of core brands: Core brands like Woodward's Gripe Water, Eva, Skore are salient and command good market shares. Woodward's Gripe Water is an INR 100cr+ brand, and the rest of them are INR 50 Cr + brands.

Protective devices business: The condom industry is growing at ~10%. They are present only in branded condoms and also produce them on a contract manufacturing basis for international buyers which is reasonably profitable. TTK is no longer present in government condoms (they are subsidized). The core strength of TTK Healthcare is innovation and disruption, most notably seen in condoms with constant product innovation. Expect new product launches in this segment.

Consumer product business: The production is outsourced and there are no factories for it. They aspire to reach 10-15% margins for the consumer product and protective devices businesses combined. The women's products under Eva are doing notably well.

Cash balances: The company has an INR 800 Cr+ cash balance which they will wait to invest. Any possible capex will come in the orthopedic business. There is a possibility of a dividend/ buyback in the near future.

Animal healthcare: They produce supplements and therapeutics. Products are for large animals, poultry, pets, and aquarium animals. 90% of sales are across vets and poultry farms. The segment can attain close to 10% margins as it improves with amortization of fixed overheads. No factory is set up for animal welfare and production is outsourced.

Exports: Are a small segment of revenues, but they are being worked on. Most exports are to Sri Lanka.

Medical Devices: Heart valves is a niche category. TTK offers good products at competitive prices, commands a good market share, and is profitable too. The developmental cycle of heart valves is too large so no immediate investments in product development or R&D are planned. Any new opportunities for product development will be on an import and sell model. Raw Materials required for bio prosthetics (Orthopedics) are not available in India- they have to be imported as there is no plant to develop them in house. There is potential for good products to be added on the knee and hip front. There might be some developmental capex in this business

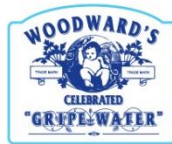
Long term growth: Over the next 3 years the company will be growing by 10-12%. The complete potential of all segments has not yet been exploited.

Outlook : The company has solidified its position through its core brands in consumer goods, and has established dominance in other niche market shares like medical devices by offering quality products at competitive prices. With upcoming developments in the orthopedic segment, it displays a promising growth trajectory in the long term. As per our understanding, the management can double the revenues in the next 5 years from the existing business, with high 2- digit margins.

Investment Rationale:

Foods: Fryums is not produced as a branded product and is a B2B play. They won't be entering B2C for the foreseeable future. The segment is currently EBIT negative due to higher depreciation write downs from the new factory set up in Jaipur.

Key Brands in Consumer goods & Protective Products:



Foods Business:



Animal Welfare:



Abridged Financials:

Income Statement (INR Cr)	FY22	FY21	FY20	FY19	FY18
Revenue from continuing operations	616	486	655	636	515
Revenue from Human Pharma Operations held for sale	198	161	-	-	-
Total Revenue	814	647	655	636	515
Revenue Growth	26%	-1%	3%	23%	
EBITDA from continuing operations	41	37	12	24	18
EBITDA Margin	6.61%	7.57%	1.88%	3.83%	3.53%
PBT from Continuing Operations	25	23	19	39	30
Total Tax Expense	6	-14	7	15	12
PAT	19	37	12	24	18
PAT from discontinued operations	23	10	-	-	-
Total PAT	42	46	12	24	18
EPS (INR)	29.43	32.87	8.72	17.25	12.86
PAT Growth	-10%	277%	-49%	34%	
OCI	2	3	-6	3	1
Dividend	8	4	9	9	5
Retained Earnings transfer	35	46	-2	18	14

*EBITDA, PBT & PAT include exceptional items

Balance Sheet (INR Cr)	FY22	FY21	FY20	FY19	FY18
Net Block	80	86	97	99	110
Investments	15	13	9	13	9
Net Current Assets	246	204	154	143	134
Long Term Loans & Advances	7	14	23	27	28
DTA	9	9	7	11	12
DTL	-1	-2	-3	-6	-8
Human Pharma Division- Assets Held for Sale	24	-	-	-	-
Total Assets	380	323	288	287	286
Share Capital	14	14	14	14	14
Reserves	316	281	235	237	219
Borrowings	20	18	28	28	47
Long Term Liabilities	8	11	11	7	6
Human Pharma Division- Liabilities Held for Sale	21	-	-	-	-
Total Liabilities	380	323	288	287	286

Cash Flow Statement (INR Cr)	FY22	FY21	FY20	FY19	FY18
Cash Generated/ Used from Operations	45	96	20	17	25
Cash Generated/ Used from Investing Activities	-31	-77	-13	10	-23
Cash Generated/ Used from Financing Activities	-9	-17	-10	-31	-7
Net Increase in Cash & Cash Equivalents	5	2	-4	-4	-4
Opening Cash Balance	10	8	11	11	19
Closing Cash Balance	15	10	8	7	15

Source: Company Filings & Arihant Research

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Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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