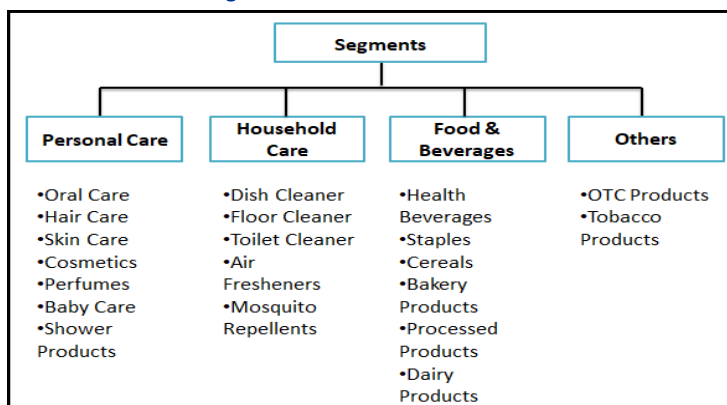


About the Industry: The FMCG sector is regarded as the key contributor (the 4th largest) to the Indian economy accounting for ~5% of the total factory employment in India. The FMCG market in India is estimated to grow at a CAGR of ~15% in order to reach Rs15.62trn by 2025 from Rs7.81trn in 2020. Since, FMCG products touch almost every aspect of human life; the industry pays special attention on 4Ps viz; Product, Price, Place and Promotion. Being considered as a high volume, low value driven industry, major emphasis is laid on branding rather than the products. FMCG industry is highly competitive due to the presence of MNCs, domestic companies and the unorganised sector. A major portion of the market is captured by the unorganised players who sell unbranded and unpackaged products in the market. With diverse products being manufactured, each product category has numerous brands and varieties which essentially create intense competition amongst players in the sector. Thus generally, the FMCG players operate on low margins while concentrating more on volume sales. Moreover, the urban market accounts for larger revenue share of ~55%. However, with emergence of new consumption hubs, economic growth in smaller cities, the share of semi-urban and rural FMCG markets is expected to inch slowly towards the growth trajectory.

Major Segments: The household and personal care segment collectively account for 50% of the sales in the FMCG industry, food and beverages account for 18-19% while the balance caters to Others segment.

Exhibit 01: FMCG Segments



Source: Market Reports, Progressive Research

The View:

For the last two fiscals, FMCG companies have been facing strong headwinds from broad-based, multi-year high input cost inflation. However, reduced promotions with drop in grammage, calibrated price hikes and savings in operating costs were factors that contained the impact on the operating margins over FY20-22. While there are signs of correction in the price levels of some of the key commodities, they still remain significantly elevated v/s the long-term averages. The increased focus on savings and cost efficiencies has led to leaner P&L with reduction in the cost structure encouraging better-looking Ebitda margin profile for the FMCG coverage companies.

Q2FY23 Performance:

There was no escape for the FMCG sector from the enormous impact of the pandemic which led to not only the consumer behaviour undergoing changes but also made the FMCG companies re-work on their strategies in terms of customer acquisition, retention and value propositions. Pandemic induced financial crunch, inexorable inflation numbers, and the war related supply chain issues led to a surge in the commodity prices which in turn led to the decline in overall demand (both urban and rural) for the big FMCG players.

SNAPSHOT				
52 week H / L		Mcap (INR mn)		
1035/622		14,077		
Face value: 10				
BSE Code		NSE CODE		
507747		TTKHLTCARE		
Annual Performance				
(Rs mn)	FY20	FY21	FY22	FY23E
Total Revenue	6,458	4,761	5,992	7,391
EBITDA	283	193	218	318
EBITDA (%)	4.4	4.1	3.6	4.3
Other Income	88	99	163	263
Interest	33	17	32	51
Depreciation	144	130	126	148
PBT	194	145	223	383
PAT*	123	368	185	275
Equity (Rs mn)	141	141	141	141
EPS (INR)	2	26	13	19
Quarterly Performance				
Parameters (Rs mn)	Dec-21	Mar-22	Jun-22	Sept-22
Sales (Net)	2,125	1,587	1,926	1,698
EBITDA	171	47	38	40
EBITDA (%)	8.1	3.0	2.0	2.3
Other Income	45	52	99	111
Interest	15	10	27	8
Depreciation	33	31	32	33
PAT*	122	106	6,009	99
Equity (Rs mn)	141	141	141	141
Ratio Analysis				
Parameters (Rs mn)	FY20	FY21	FY22	FY23E
EV/EBITDA (x)	50.5	73.3	64.7	44.6
EV/Net Sales (x)	2.2	3.0	2.4	1.9
M Cap/Sales (x)	2.2	3.0	2.3	1.9
M Cap/EBITDA (x)	49.8	72.9	64.5	44.3
Debt/Equity (x)	0.1	0.1	0.7	0.9
ROCE (%)	9	6	8	13
Price/Book Value (x)	28.3	4.8	4.3	4.1
P/E (x) (TTM)	41.3	29.2	38.2	51.1
Shareholding Pattern as on 30th Sept, 2022				
Parameters	No of Shares	%		
Promoters	10,535,840	74.6		
Institutions	648,916	4.6		
Public	2,945,577	20.9		
TOTAL	14,130,333	100.00		

Source: Annual Report, Progressive Research

Note: Data calculated as on 06th Dec, 2022, *PAT includes exceptional items

About the Industry (contd.):

As per Bizom, sales in rural India fell 14.3% while the urban sales growth stood at 1.1% in September, 2022 as compared to the previous month. The overall FMCG sales dropped by 9.6% m-o-m. The rural sales dropped owing to excessive rain in some areas and weak precipitation, which hampered the farm yield and household incomes.

As per Nielsen Research, the domestic consumer packaged industry witnessed a decline of 0.9% in overall volumes in Q2FY23 as against the previous quarter. The rural centres recorded 3.6% drop in volume during September as against 2.4% in the June quarter. The consumption decline in rural markets was led by both double-digit price increase and lower unit growth. The urban markets, on the other hand, recorded a 1.2% increase in volumes during the same period. This growth was led by the food segment which recorded a 3.2% growth in volume. However, the non-food segment reported a drop of 3.6% in Q2FY23. The value growth of 8.9% was primarily price led growth.

The margins witnessed pressure in Q2; mainly due to a challenging demand environment with inflation impacting overall consumption. Overall, with normal monsoons in most parts of the country and pre-emptive interventions by the government and RBI augur well for sustained recovery and a pick-up in consumption expenditure in the second half of the year. Moreover, the FMCG companies are laying their focus on increasing the rural reach considering the potential that these markets hold for the FMCG players. Continuity in calibrated price hikes, festive season demand, innovative packs, discounts and promotions, increased ad spends, all of this would stand to generate better margins over a longer period.

About the Company:

TTK Healthcare Limited (TTKHL) a TTK Group company was incorporated in May 1958. The TTK Group was founded by T.T. Krishnamachari (in 1928). In the early '30s, the TTK Group began its journey as a market-making partner and introduced foreign products into the Indian market. The TTK Group was among the earliest to introduce western goods (such as soaps, chocolates, pens, clocks, cosmetics and condoms) in India, building up a vast network of distributors. The Group has built its own powerful brands while gaining market not just in India but also on a global level. The company's brand wagon consists of products that are sought after by a wide range of customers. Over the years, the company has diversified its presence across industries and the revenue sources were distributed across many product categories, including contraceptive, gripe water, cosmetics, medical devices, home-care products and food products to mention a few. TTKHL has adopted an outsourcing model for manufacturing most of its products, except for the foods, medical and protective devices divisions. TTKHL has significantly contributed to advancement of the healthcare system in India over the last six decades through development and commercialisation of innovative products for diversely important segments of the healthcare industry.

Investment Rationale:

(A) Diversified Portfolio:

The company has a diversified portfolio with revenues from various segments namely (i) consumer products, (ii) protective device, (iii) medical devices, (iv) foods and (v) animal welfare products and each of these segments has its own brand recall, strong product offerings and captured markets. TTKHL has a well spread distribution network across states, and constantly focuses on stable investments towards brand building. The company manages to strengthen and cross-leverage its existing distribution network and has established its brand presence across product segments which include contraceptives, gripe water, cosmetics, medical devices, home-care products and food products, thus enabling it to gain a competitive edge over its peers.

Exhibit 02: Quarterly Trend

Quarters	Volume Growth (in %)	Value Growth (in %)
Apr-Jun'21	21.1	39.9
July-Sept'21	1.4	13.2
Oct-Dec'21	(2.6)	9.6
Jan-Mar'22	(4.1)	6.0
Apr-Jun'22	(0.7)	10.9
Jul'22	(1.8)	6.2
Aug'22	7.5	21.7
Sept'22	(0.9)	8.9

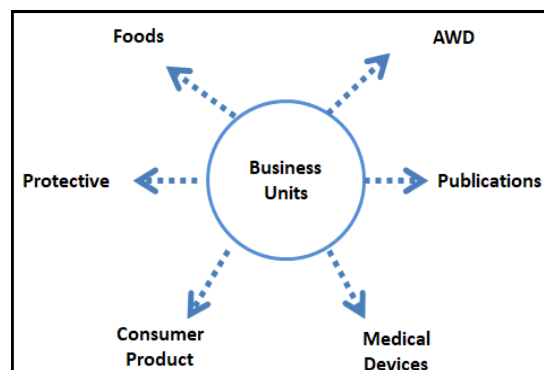
Source: Nielsen Report, Progressive Research

Exhibit 03: Category Based Performance

Category	Sept'22 v/s Aug'22 (%)	Sept'22 v/s Sept'21 (%)
Beverages	(6.3)	(1.3)
Commodity	(14.5)	17.8
Packaged Goods	(6.7)	12.6
Home Care	(8.6)	(8.3)
Personal Care	-	(1.7)
Confectionery	(5.1)	(11.1)

Source: Nielsen Report, Progressive Research

Exhibit 04: Strategic Business Units



Source: Company Website, Progressive Research

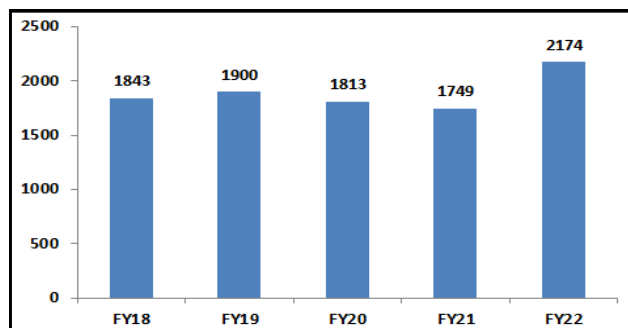
Investment Rationale:

(a) Consumer Product Division (33% of the total revenues):

The Consumer Product Division (CPD) has one of the oldest effective sales and distribution networks in India. The division has a dominant national presence with 2800+ strong distributor network and over 650 field force who invariably network with the company's 4,00,000+ retailers. The CPD division is the FMCG arm of TTKHL which caters to the diverse needs of consumers across India via its range of offerings that transcend categories.

- Baby care (Woodward's Gripe Water)
- Personal care (Eva)
- Home care (Good Home)
- Sexual wellness (Skore)

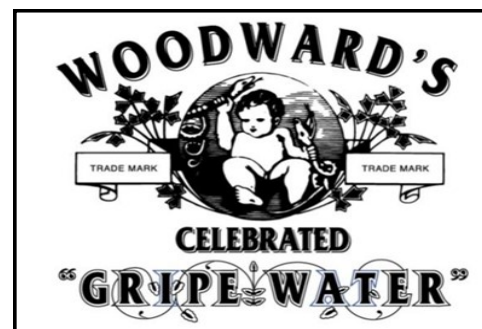
Exhibit 05: CPD Annual Sales (Rs in mn)



Source: Annual Reports, Progressive Research

(i) Woodward's Gripe Water (WGW): WGW is a known market leader in the Indian colic market. It is one of the oldest brands (170 years) with a dominant market share. The company has been marketing it in India since 1928 and when it comes to baby care it is a household name amongst mothers. The ideal target audience for this well established brand is generally 6 months to 3 years. In FY21, WGW crossed the milestone of Rs1bn in sales. In FY22, WGW achieved an all-time high sales volume in excess of 4,50,000 cases, with a healthy growth. As a matter of fact, considering the modern centric approach, accepting the conventional brand develops a resistance amongst a majority of new age mothers. Thus, in order to build the brand trust and to stay relevant to new age moms, TTKHL is working on promotional spends, media, digital engagement and consumer activations. The company has adopted future strategies of sustaining southern markets by driving the consumption increase and grow the non-south markets through appropriate promotional investments.

Exhibit 06: WGW Brand



Source: Company Website

(ii) Eva: In 2002, TTKHL divested 49% equity stake in M/s Sara Lee TTK Ltd to overseas JV partner M/s Sara Lee Corporation (the US based household products, food & beverages) at a consideration of Rs195mn. Under the deal agreement, Sara Lee acquired 80,325 shares of Rs500 each, accounting for 49% equity stake of the JV from the TTK Group. However, the distribution arrangement with M/s Sara Lee TTK Ltd for its core products continued to be handled by TTKHL. In order to introduce new women products in the Indian market and to concentrate and build on its Brylcream brand, Sara Lee Household & Bodycare Pvt Ltd in 2003 sold its Eva brand to TTKHL.

Exhibit 07: Eva Brand



Source: Company Website

Eva is positioned as a teen grooming brand. It has been a leading player in the women's **deodorant** category. Eva's proposition in the market is quite unique (no. 3 brand having a market share of ~10%+), skin friendly, attractive and innovative fragrances. Incidentally, Eva was the first female deo to launch range 'No Alcohol' skin friendly female deo in the country. Eva as a brand portrays a fresh approach to connect today's generation while keeping the core brand intact. Eva as a product is diversified in a wide variety of fragrances such as fresh, doll, blush, dreams, wild, chic, wow, zing, sweet, glee, dew to mention a few. A few years ago, the company diversified into lip care, chapsticks and talcs (**non-deo category**).

Lockdowns and social distancing did trigger a dramatic decline in **the deodorants** category; post covid the brand has demonstrated resilience while reporting a healthy growth in FY22. While Eva would continue to enjoy top-of-mind brand recall and traction among teenagers and young adults in India; TTKHL is also working to launch strategic brand extensions under fragrances and personal enhancement categories. In order to keep the brand image and leadership position intact, **Curry Nation Brand Conversations Pvt Ltd** was awarded the integrated mandate to work on advertising and communication for wide range of existing as well as new product launches. Eva also launched its all new brand film featuring Rashmika Mandanna as their brand ambassador. The company is making constant efforts to further strengthen the brand communication '**Eva Special Happens**' and gain market share. Additionally, efforts are underway to increase the trials for the brand through relevant and effective marketing activations.

Investment Rationale (contd.):

(iii) **Good Home:** The brand Good Home is a relatively new entrant (launched in 2007), an innovative brand operating under the Home Care space. Good Home caters to the cleaning and freshening needs of home makers. It currently operates across 6 categories namely *scrubbers, air freshener cakes, room freshener sprays, odour remover sprays, drain cleaners, kitchen & appliance cleaners*. **Good Home aims to become a complete home care solutions provider.**

For FY22, Aroma (Perfumed Air Freshener) has been a true standout registering a significant growth. Despite intense competition, Unblox (Drain Cleaner) too delivered a healthy growth. The launch of sponge wipes and ultra-scrubbers has further widened the portfolio. There has been a re-launch of the odour remover in new packaging and positioning, another highlight of the segment. **The focus is to transform Good Home into a stronger brand by introducing new packaging and positioning and build further volumes for Odour Remover, Aroma Air Fresheners, etc. TTKHL is working towards launch of new products in Dishwash/Home Cleaning Agent segments; and to focus on e-com/modern trade to exploit the untapped potential.**

Exhibit 08: Good Home Brand



Source: Company Website

(iv) **SKORE:** The TTK Group had introduced condoms in the country way back in 1948 through the brand Durapac, which was later known as Durex. They entered into a distribution arrangement with the London Rubber Company (LRC) of UK, and then got into a JV with LRC to manufacture condoms. LRC was renamed to LIG and the JV was called TTK-LIG. During the 70's after the launch of Kohinoor, TTKHL was responsible for revolutionising the said brand. Later LIG sold its stake in the JV to SSL International in 1999. This was eventually taken over by Reckitt Benckiser (RB). In 2012, TTKHL lost to RB in a court litigation, which resulted in the termination of sale of condoms by TTKHL. Thus, in 2012, the company launched an indigenous brand called Skore, a sexual wellness brand.

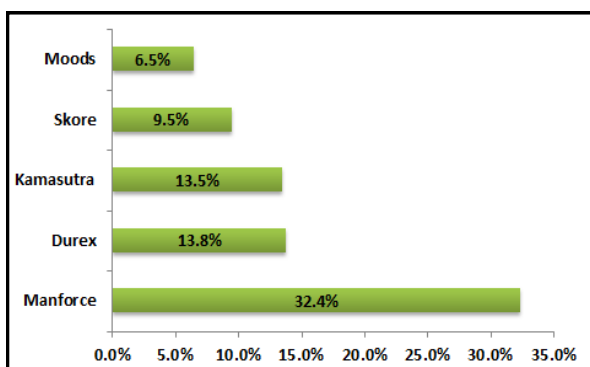
Skore being envisioned as a gender neutral brand is the fastest-growing condom brand in India and has taken on the mantle of a market challenger in the highly fragmented sexual wellness market. The brand has expanded its portfolio to include vibrating rings, exciting variants of lubes as well as pleasure enhancing gels for women.

Exhibit 09: SKORE Brand



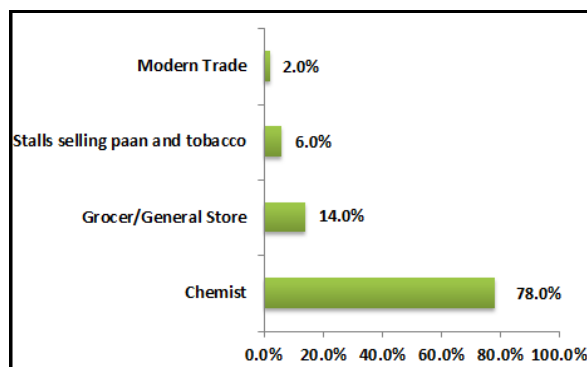
Source: Company Website

Exhibit 09: Condoms Market Share By Value (2021)



Source: Nielsen Data 2021, Progressive Research

Exhibit 10: Trade Channel Statistics



Source: Condom Alliance Report 2021, Progressive Research

Investment Rationale (contd.):

(iv) **SKORE (contd.):** As per a report from Condom Alliance (2021), chemist shops are regarded as the largest trade channels for procuring condoms; which account for 78% of the total condom sales in India. Around 14% comes from general stores, 6% from stalls selling paan and tobacco and 2% from modern trade. This statistics emphasises the need for a ramp up in the digital presence.

TTKHL has retained its focus on innovation well depicted with the launch of a unique offering namely 'Skore Nothing'. The brand has also focused on strengthening its e-commerce sales through a couple of exclusive e-com launches as well as focus on pleasure products. The latest move to support the e-commerce sales was the launch of Direct to Consumer (D2C) initiative undertaken by the company in 2022. Going forward, **the company is working to drive distribution expansion and increase the Skore retail reach in Tier-1 towns. Apart from this, TTKHL is also working to improve e-commerce sales through D2C channels and digital marketing initiatives.**

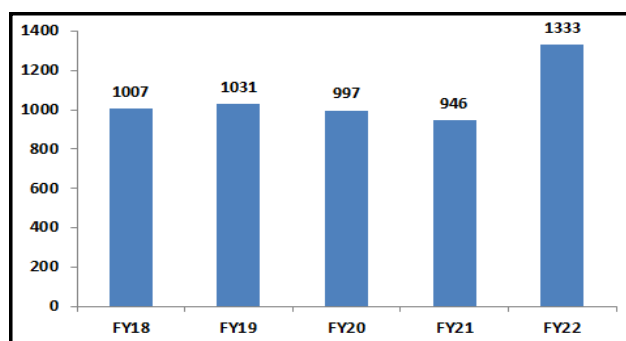
D2C Venture: According to Allied Market Research, the Indian sexual wellness market is estimated to be around USD2.09bn in size by 2030, logging a CAGR of 5.8% from 2021 to 2030. Sexual wellness includes products like intimate hygiene, natural stimulants, lubricants, sex enhancer supplements, sex toys and pleasure products. Online retail is the major driver of the domestic market where men easily outnumber women as end-users.

TTKHL is marketing a new D2C initiative through digital platforms. The launch of **Love Depot** was through a digital only campaign in line with the brands that promise of private pleasure. Love Depot has many international brands (viz; plusOne, Love Honey, We-Vibe, Je Joue, and Satisfyer) as well as own products (Skore and Mschief) offered across a wide range of price points. Through this online superstore; the company has an edge over the competition since it would have the widest range of products at different price points along with educational information about them. The company has made investments in curating the wide assortment of products on its platform and intends to aggressively promote the superstore with an expectation to achieve breakeven in three years' timeframe. Overall, TTKHL has taken another step to be ahead in the business of sexual pleasure which will enable the company to garner market share in the competitive space that has limited room for mass advertising.

(b) Protective Devices Business (25% of the total revenues):

In FY22, TTKHL has witnessed a good increase in productivity due to healthy order inflow. In addition to supplying of Skore brand of condoms; the company has also been supplying condoms for a leading International Brand both for their India and Overseas requirements and has also won a contract for supply of condoms to an International Agency till July 2023. In order to be in a position to supply the products, the company has successfully met all the regulatory Quality Audits conducted by the British Standards Institution (BSI) for ISO Standards and CE Mark, South African Bureau of Standards for SABS Certification and SCS Global Services for Forest Stewardship Council Certification. Additionally, the company has few more products both in the condoms and lubes range which is in the process of development; few of which are expected to be launched during 2022-23.

Exhibit 11: Protective Device Annual Sales (Rs in mn)

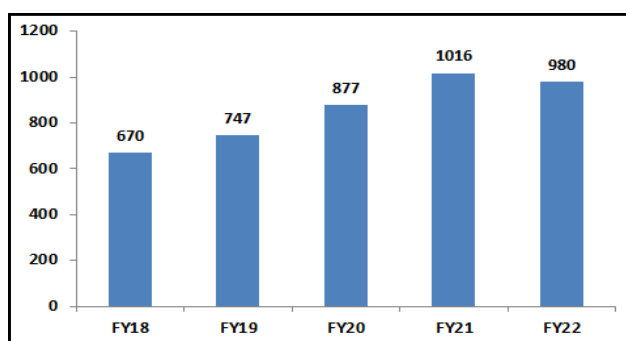


Source: Annual Reports, Progressive Research

(c) Foods Business (16% of the total revenues):

TTKHL's Foods division manufactures and markets ready to fry extruded products (papads). The customer base for the company's ready-to-fry snack pellets caters to both domestic and international markets. The exports division services the foreign countries and the products are regularly exported to the overseas markets. The company is in this business for the past 30+ years with rich experience in developing extruded products with various raw materials in different shapes, formats and finish. Under the brand name **Fryum's** these products are also sold through retailers, modern trade, & e-commerce platforms. The dedicated manufacturing facilities at Bengaluru and Jaipur are capable of producing cereal, potato, rice, pulses and corn based products with more than 30 shapes to choose from the 2D/3D categories. The cereal and potato based pellets come in various shapes, such as wheels (mini & penta), tubes (mini, short, long & square), sticks, 3 rings, ribbed, star, checks, chips, drops etc.

Exhibit 12: Foods Division Annual Sales (Rs in mn)



Source: Annual Reports, Progressive Research

Investment Rationale (contd.):

(c) Foods Business (16% of the total revenues):

The foods division has been a pioneer in developing innovative products and concepts in this category for different applications like ready to salt roasting, hot air popping and mechanical popping considering the future trend of healthy snacks and increasing oil prices. The focus is being given for manufacturing 2D die-cut products at Jaipur plant in order to make the lines more versatile and improve capacity utilization. The earlier targets of the company for this division included increasing the capacity utilization at Jaipur facility through enhanced focus on domestic/institutional and export businesses; and also developing and launching innovative and differentiated products to improve volumes/margins. However, in the current scenario seeing the revenue trend for this division, this segment appears to be more of a commodity driven business with pressure on price realisations.

Exhibit 13: Fryums Brand

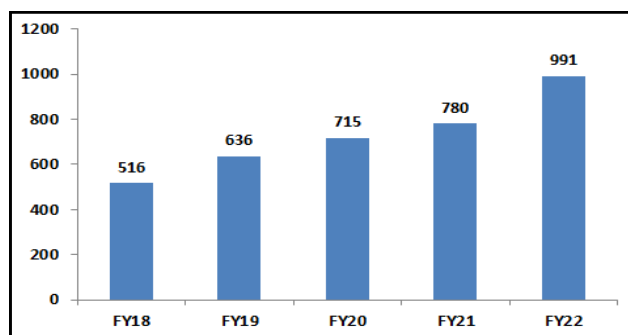


Source: Company Website

(d) Animal Welfare Division (12% of the total revenues):

The Animal Welfare Division (AWD) caters to the requirements of veterinarians, hatcheries, poultry farms and dairy farms through a wide variety of herbal and allopathic formulations. 60% of the entire business is dedicated for supplements while the balance caters to therapeutics. Presently the division ranks among the Top 20 leading Animal Health Companies in the nation. The company is dividing the entire AWD into **livestock, poultry and pet business** so as to enhance focus and grow each of these businesses separately. The AWD has an extensive, well trained sales force that are in touch with nearly 9000 veterinarians across the country and reaches out to a customer wide network of 800 stockists. The **top ten brands** including the flagship brands OTO (Orcal-P - Tefroli - Ossomin) group contributed in excess of 60% to the division's sales, double digit growth in FY22. The subdivisions under AWD are Bovianim, Gallus, Companim & Aquanim. Particularly, the performance of Companim (Pet) division has been quite noteworthy, with a growth of around 52%. The newly launched Aquanim division too performed well and a few more products are lined up for extending the range. Going forward, the strategy would be to sustain the current momentum and achieve a healthy growth from all subdivisions along with institution and export businesses.

Exhibit 14: AWD Annual Sales (Rs in mn)



Source: Annual Reports, Progressive Research

(e) Medical Devices Division (10% of the total revenues):

Heart valves can become diseased or damaged which essentially means they can either lead to **Stenosis**-restricts the blood flow or **Regurgitation**-when blood leak backwards through a valve, instead of following its usual direction. Rheumatic fever is an inflammatory disease that can be triggered by a streptococcal bacterial infection. This can cause inflammation of connective tissues throughout the body including the heart, joints, brain or skin. **Rheumatic heart disease** describes a group of short-term (acute) and long-term (chronic) heart disorders that are caused by rheumatic fever. The most common form of rheumatic heart disease is the one that affects the **heart valves**. Although rheumatic fever can affect any heart valve, most commonly affected is the mitral valve.

Exhibit 15: Replacement Options

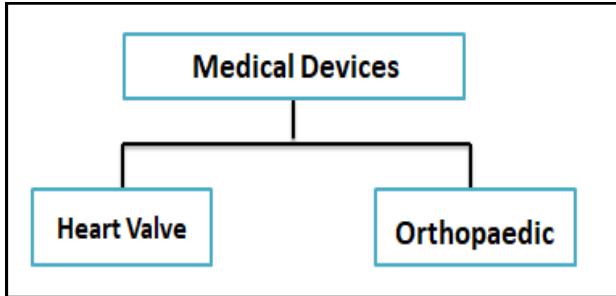
Prosthetic Valve	Pros	Cons
Bio-prosthetic	(i) No requirement for lifelong anticoagulation (ii) Lower risk of bleeding (iii) Preferred in older patients, patients with cancer and renal failure	(i) Shorter durability and thus higher chances of re-operation rates
Mechanical	(i) Longer durability and lesser re-operation rates (ii) Preferred in younger patients, patients with already another mechanical valve	(i) Increased risk of thrombosis (ii) Lifelong need for anti-coagulation (iii) Increased risk of bleeding

Source: Market Reports, Progressive Research

Investment Rationale (contd.):

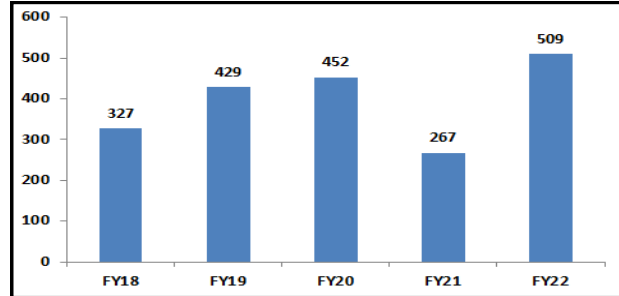
(e) Medical Devices Division (10% of the total revenues):

Exhibit 16: TTKHL Medical Devices



Source: Company Website, Progressive Research

Exhibit 17: Medical Devices Annual Sales (Rs in mn)



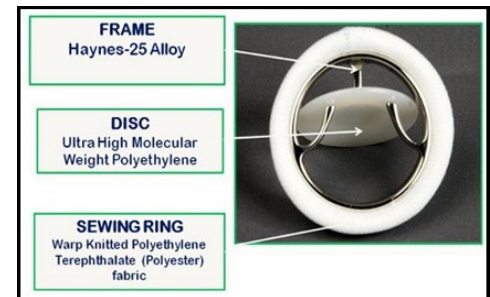
Source: Annual Reports, Progressive Research

(i) Heart Valve Division: The Heart Valve division (located at KINFRA International Apparel Park in Trivandrum) manufactures and distributes India's first indigenous heart valve prosthesis-the tilting disc **TTK Chitra Heart Valve**. It has been designed and developed by Sree Chitra Tirunal Institute for Medical Sciences and Technology (SCTIMST), an institute of National importance under the Department of Science and Technology, Government of India. TTK Chitra Heart is a mechanical heart valve of low cost and proven efficacy, and has been used in India for the last 15 years. TTK Chitra is regarded as the most affordable heart valves in the world. TTK Chitra Heart Valve is being used in over 300 cardiac centres across India.

Main Components: Rigid Tilting Disc Aortic/Mitral TTK Chitra Heart Valve substitute is mechanical type heart valve prosthesis intended to be used for the replacement of diseased natural aortic/mitral heart valves or for the replacement of implanted malfunctioning valve prosthesis.

Cardiamed Bileaflet Valves: The company has signed an agreement with an overseas manufacturer for direct import and distribution of bi-leaflet valves. Additionally, TTKHL has signed an agreement for the manufacture and supply of cardiology products like PTCA catheters and coronary stents for which the company has recently received regulatory clearance for the same. The single centric clinical trials relating to new model TTK Chitra TC2 Titanium Valve is progressing at the SCTIMST with ten valves implanted as of now. Going forward, the focus would be on growing the volumes of TTK Chitra Valves, to gain further volumes through bi-leaflet valves and to venture into the cardiology market through the launch of PTCA catheters.

Exhibit 18: TTK Chitra Heart Valve



Source: Company Website

(ii) Orthopaedics: The company had forayed into this business in 2009 as a technical collaboration with BP Trust, USA; promoted by the internationally renowned Dr. Buechel and Dr. Pappas. TTKHLs orthopaedic division products are manufactured at par with the international standards.

Exhibit 19: TTK Ortho Product Portfolio

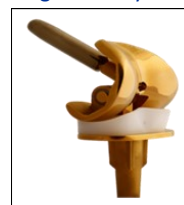
Primary Knee System CoCr



TiN Coated with Ultracoat



Hinge Knee System



Revision Knee System



Uncemented Hip Replacement



Cemented Hip Replacement



Bipolar Hip Replacement



Source: Company Website

Investment Rationale (contd.):

(ii) **Orthopaedics (contd.):** In FY22, this division registered a growth of around 150%. Additionally, the launch of Hip Replacement System is being extended to reach and cater to additional geographies. The company has plans to expand the distribution and team footprint further in the potential markets. TTKHL is also working to build on relationships to improve market share and strengthen the sales performance in Revision and Hinge surgeries coupled with improving manufacturing productivity.

(f) Printing and Publications (0.1% of the revenues):

TTKHLs publication division, formerly known as TTK maps, is a pioneer and leader in cartography in India. It is the largest producer of map-based publications in the private sector. The wide range of high-quality and accurate maps, atlases, guidebooks and educational publications are published under the TTK brand name. It is the most sought-after Maps brand and caters to a large base of users such as students, travellers, and researchers. The maps are duly approved by Survey of India.

(B) Orthopaedic Implants: Positioned for Growth

The Indian orthopaedics market is characterized by a large number of companies comprising of both domestic and international players. The orthopaedics market can be classified into 4 different segments viz; knee, hip, trauma and spine of which knee-replacement market holds the biggest share, followed by trauma and spine. India imports nearly 88% of the implants, 63% of all surgical instruments and 52% of electronic equipment including CT scans and MRIs. The import of medical devices has been rising and increased from USD6,240mn in 2020-21 to USD8,539mn in 2021-22, while exports rose very marginally over the corresponding period from USD2,532mn to USD2,923mn. India has emerged as a prominent hub for orthopaedic surgeries in the recent years especially in the field of joint replacement. As per market reports, the Indian market for orthopaedic devices is expected to grow 20% every year to hit Rs160bn by 2030.

According Allied Market Research, the **global** orthopaedic implants market size reached USD45.05bn in 2020 and it is projected to reach USD68.80bn by 2030, exhibiting a CAGR of 4.7% from 2021-2030. This demand would be driven by the surge in prevalence of orthopaedic diseases, advancements in the sector of orthopaedic implants, and rise in adoption worldwide drive the growth of the global orthopaedic implants market.

Exhibit 20: Knee Replacement Cost Analysis

Cities	Cost (Rs in '000s)
Delhi	110-415
Mumbai	65-425
Bangalore	148-410
Pune	63-389
Hyderabad	150-385
Gurgaon	165-424
Chennai	115-405

Source: [kneesurgeonindia/blog/knee-replacement-surgery-cost-in-india](https://www.progressiveshares.com/kneesurgeonindia/blog/knee-replacement-surgery-cost-in-india), Progressive Research

(C) Medical Device-Strong Lever:

As per Allied Market Research, the global prosthetic heart valve market size was valued at USD6.9bn in 2021 and is expected to reach USD19.7bn by 2031; a CAGR of 11.1%. Heart valve replacement therapies are in high demand due to factors such as aging population and increasing number of individuals diagnosed with heart valve diseases. The cost of valve replacement surgery in India is cheaper than a majority of countries in the world. This is primarily because of numerous excellent facilities for cardiac surgeries and the fact that valves used for the surgery are mostly manufactured and are available within the boundaries of the country. By giving the highest quality of medical treatment at an affordable cost; India has established itself as one of the most popular hubs to get treatment from around the world.

Exhibit 21: Country-wise Cost Structure Ailments

Ailments (USD)	Malaysia	Thailand	Singapore	Korea	India
Hip Replacement	8,000	17,000	13,900	21,000	7,200
Knee Replacement	7,700	14,000	16,000	17,500	6,600
Heart Bypass	12,100	15,000	17,200	26,000	7,900
Angioplasty	8,000	4,200	13,400	17,700	5,700
Heart Valve Replacement	13,500	17,200	16,900	39,900	9,500
Dental Implants	1,500	1,720	2,700	1,350	900

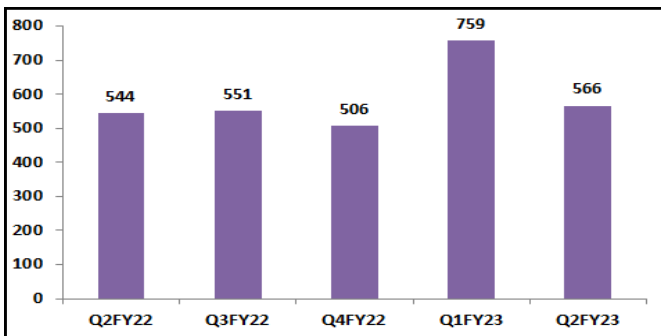
Source: Market Reports, Progressive Research

Financials:

Revenue Across Segments:

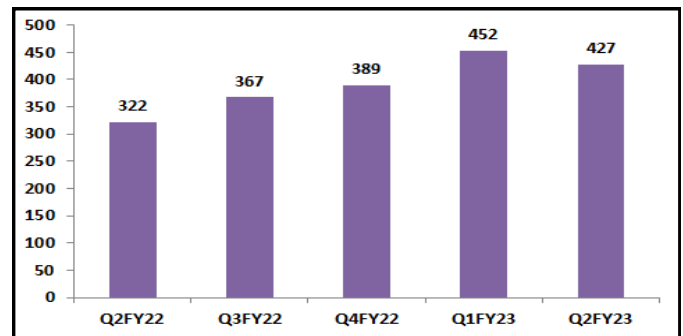
The key revenue contributors are the consumer products and protective devices division. Under the consumer product division too, the company has positioned itself well to report good growth through its established brands of WGW, Good Home, Eva, Skore etc. TTKHL intends to further promote these brands via brand extensions, digital marketing spends, launch new products and exploit the untapped markets. The protective devices division on the other hand has witnessed increase in productivity led by healthy order inflow. Even for FY22, the revenues increased by 25.9% primarily due to an increase of ~90% in the Medical Devices, ~41% increase in Protective Device and ~24% increase in the Consumer Product Division.

Exhibit 22: CPD Sales Trend (Rs in mn)



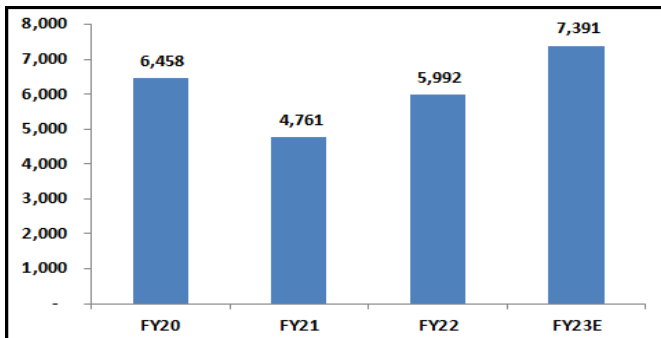
Source: Quarterly Reports, Progressive Research

Exhibit 23: Protective Devices Sales Trend (Rs in mn)



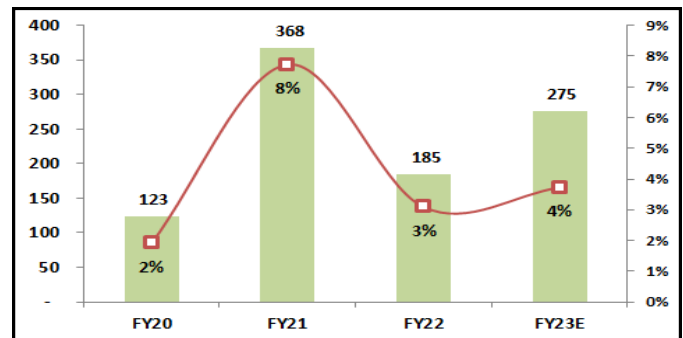
Source: Quarterly Reports, Progressive Research

Exhibit 24: Revenue Trend (Rs in mn)



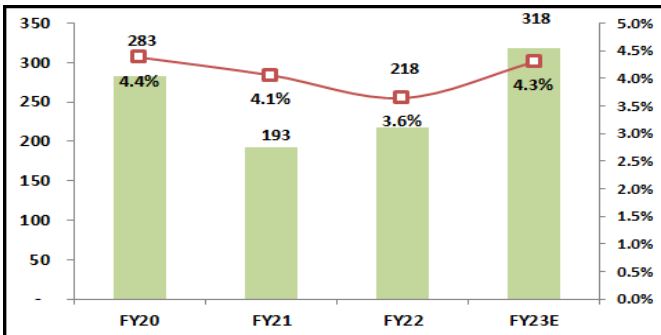
Source: Annual Reports, Progressive Research

Exhibit 25: PAT (Rs in mn) v/s PAT Margins (%)



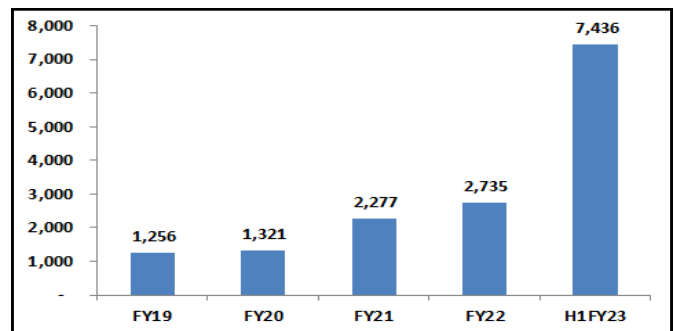
Source: Annual Reports, Progressive Research

Exhibit 26: Ebitda (Rs in mn) v/s Ebitda Margins (%)



Source: Annual Reports, Progressive Research

Exhibit 27: Cash and Bank Balances (Rs in mn)



Source: Annual & Quarterly Reports, Progressive Research

Financials (contd.):

Strong Balance Sheet:

The financial profile of the company is comfortable and supported by strong cash reserves, stable earnings and cash flows. In addition to this, the debt levels remain low, resulting in healthy capital structure as reflected by gearing of 0.25x and an ICR of 7.9x in FY22. The company's **liquidity** position is strong, backed by healthy cash balances, steady accruals, low debt repayment obligations and modest capex plans. Over the years, the company's cash and bank balance has grown at a CAGR of 30% (FY19-FY22); while in H1FY23 the cash and bank balances stood at Rs7,436mn. In addition, consideration to be received as a part of **human pharma division sale** adds to the existing strong liquidity positioning of the company.

Discontinued Operations: Sale of the Human Pharma Division (Ethical Product Division and Ventura Division)

The core competence of the company relates to various divisions other than Human Pharma Formulations (contributed ~25% of the revenues in FY22) and the company intends to invest and expand those businesses. In March, 2022, the company had signed a definitive agreement to hive-off the Human Pharma division to M/s BSV Pharma Pvt Ltd and Miransa Limited (on slump sale basis). The total value of the consideration was Rs8,050mn (subject to adjustment for working capital and other items that are customary in such transactions) settled through blend of cash and allotment of equity shares. In May, 2022 the sale of human pharma division was concluded, and TTKHL received 74% of the consideration in cash and the balance 26% in the form of equity shares in M/s BSV Pharma Private Limited. On 6th December 2022, consequent upon the receipt of necessary regulatory clearances by M/s Bharat Serums and Vaccines Limited, they have remitted a sum of Rs2083.9mn towards the consideration for the purchase of 20,83,90,260 equity shares of Rs10 each held by TTKHL in M/s BSV Pharma Pvt. Ltd. The deal is valued at 5x trailing sales which is pretty much like other deals of Panacea Bio-Mankind at 8.6x, Torrent and Unichem at 4x, Lupin and Anglo-French at 3.5-4x and J.B.Chemicals-Sanzyme at 4.5-5x, Piramal-Abbott at 10x.

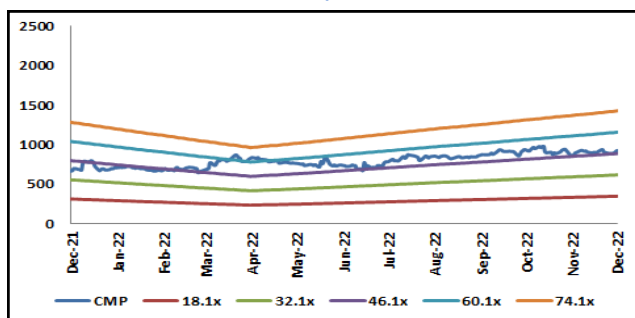
Risks and Concerns:

- Any regulatory changes by the government in terms of medical devices or procedures with regard to capping of prices would impact the company
- The consumer division always has immense competition from other players and maintaining market share is a key concern
- The stock is highly illiquid as nearly 74.6% of the equity is held by the Promoter Group

Outlook and Recommendations:

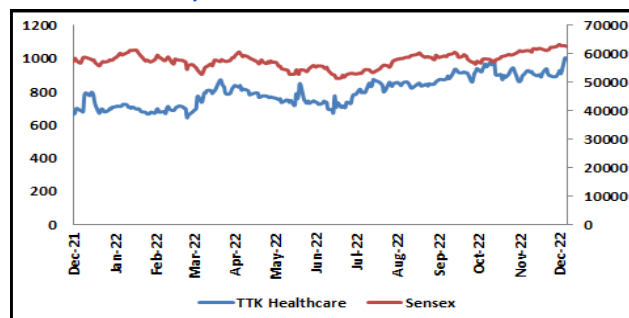
TTKHL is a company with decades of recall for its legacy brands. The consumer products and protective division are the key revenue contributors for the company. From the every home brand of Gripewater which is a well established, well accepted brand that is scaling good volume growth to the recent capturing Eva brand or the economical Good Home brand inching to become the preferred home care solution provider; the company has all strategies underway to make a brand- a big brand. TTKHL continues to lay focus on evaluating further brand extensions and new launches while at the same time bring in effective marketing activations for its existing brands. After the TTK-LIG JV was called off; the company got the opportunity to tap the markets with its own brand Skore. The launch of Love Depot is another addition on to the e-commerce channel in order to traverse the traffic and drive new avenues towards the digital world. Apart from this, efforts are in progress to undertake expansions of the Jaipur facility for the Foods division which after eventual fructification would add to the topline and further enhance the division. TTK Chitra being the most cost effective device creates optimism to the overall medical devices division considering the adequate response that the company has received in the recent past with the number of elective surgeries conducted. The immense demand in the orthopaedic implants market and the renowned tie up with BP Trust, USA augurs well for TTKHL. The company has good product profile spread across various segments, an extremely strong balance sheet with almost negligible debt, good amount of cash & bank balances, strong long term investments, and a good ICR ratio. Backed by the triggers in the industries that the company caters to, we are optimistic on future tailwinds that should bode well for the prospects of TTKHL. We, thus initiate a Buy on the stock for a target of Rs1325.

Exhibit 28: One Year Forward P/E



Source: Ace Equity, Progressive Research

Exhibit 29: Price v/s Sensex



Source: Ace Equity, Progressive Research

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