



TTK HEALTHCARE LIMITED

Regd. Office : No.6, Cathedral Road, Chennai 600 086

CHAIRMAN'S SPEECH

Ladies and Gentlemen,

It gives me great pleasure to welcome you all to this 52nd Annual General Meeting of your Company.

PAST DECADE:

Before getting into the details of the performance during the year under review, I thought it would be appropriate for me to recall the journey undertaken by your Company during the first decade of the 21st century.

As you all know, the century for your Company has begun with a lot of challenges. The Company was burdened with a number of loss making businesses, huge investments in working capital, substantial borrowings, etc.

In the initial few years, your Company carried out a major restructuring programme comprising of-

- (i) Formation of Strategic Business Units for Pharmaceuticals, Consumer Products and Medical Devices so as to ensure the requisite focus;
- (ii) Exiting from the non-core / loss making businesses;
- (iii) Disposal of the assets attached to these businesses and settlement of liabilities; and
- (iv) Unlocking values from assets that are not required for business purposes.

The timely implementation of these initiatives by the dedicated Management Team coupled with stricter management of working capital enabled your Company to come out of the difficulties and return to Dividend List in 2005-06. The decade which started with a huge debt burden ended with a free cash surplus of around Rs.50 crores after spending significant sums in capital expenditure and reorganization of the various businesses.

During this decade, your Company had also faced the challenge of handling the huge loss of turnover / profitability that arose due to the discontinuation of the distribution arrangement with M/s SaraLee. This was also effectively handled by the Team to a great extent, by growing the existing brands and also launch of new products under own brands.

The decade also witnessed the positive developments like-

- (i) Successful launch of new products under its own brand names such as EVA Range of Cosmetics and Good Home Range of Scrubbers, Air Freshners, etc.;
- (ii) Reversal of the negative trend in Woodward's Gripewater and growing the brand year-after-year;
- (iii) Establishment of Ventura Division to focus on herbal and specialty products and launch of several formulations under the Pharma Division;
- (iv) Setting up of the State-of-the-art Manufacturing Facility for Heart Valves at Trivandrum and for Publications / GIS Business at Mahindra World City near Chengalpet;
- (v) Acquisition of the Orthopaedic Implants Business so as to enhance the Medical Devices basket; and
- (vi) Import of Snack Pellet Manufacturing Line from Italy to augment the production capacity at Foods Division;

These initiatives helped your Company to further consolidate its position and established itself on a strong footing.

Undoubtedly, this decade was a most challenging one for your Company and it withstood the turbulent times with great resilience and successfully resurrected to continue its journey into the future more confidently.

At this juncture, it is my duty to convey my deep sense of gratitude to each and every one of our stakeholders and my colleagues on the Board who stood by us during this 10 year journey.

I now come to the financials for the year under review.

FINANCIAL YEAR 2009-10:

The Annual Report for the year has already been circulated. I would just touch upon the salient points of the Company's performance in the financial year 2009-10.

Financial Highlights:

- ☞ Your Company achieved a turnover of Rs.252.20 crores as against the previous year sales of Rs.219.65 crores, resulting in a growth of about 15%.
- ☞ The Pre-tax Profit was Rs.15.50 crores as against Rs.13.37 crores in the previous year.
- ☞ The free Cash position continues to be healthy at around Rs.50 crores.

BUSINESSWISE PERFORMANCE:

(1) CONSUMER PRODUCTS BUSINESS:

The performance of Woodward's Gripewater, the key brand of your Company, continues to be satisfactory.

The brand responded favourably to the new commercial and the enhanced advertising and promotional initiatives during the year.

The retail display contest conducted in Tamil Nadu was a success and this had clearly demonstrated the franchise the brand enjoys with the Trade.

Barring unforeseen circumstances, the trend should continue in the current year too.

During the year under review, the performance of the EVA Range was satisfactory. You will be happy to note that EVA has been ranked as **No.1 Brand** in Female Deospray Category. The packaging for the entire range of EVA Deodorants was contemporized with new designs and a few more variants were added to the range. A new advertising campaign was carried out during the later part of the year. These initiatives yielded good trade and consumer response.

Good Home Range of Scrubbers, Air Freshners, etc., had registered robust growth.

The distribution arrangements for branded Condoms and Footcare products are yielding desired results.

The future thrust will be on developing own branded consumer products and insulating the company from the vagaries of depending on distribution of third party products.

(2) ETHICAL PRODUCTS BUSINESS:

The performance of Pharmaceutical Business has been encouraging.

During the year under review, a few new products were added to the range and these were well received by the doctors.

The performance of the Ventura Division which handles the Herbal and Speciality products of your Company had been impressive with healthy growth. In addition to the Infertility Segment, your Company has also forayed into the Dermatology Segment with the test marketing of a few products under the Ventura Division. Based on the initial response to these offerings, your Company would add more products to this range in the coming months.

The Animal Welfare Division registered a healthy growth driven by the good performance from the flagship brands.

The focus for the current year is to grow the key brands by making appropriate investments, launching new products in relevant therapeutic segments and to constantly improve the productivity of the Field Team.

(3) MEDICAL DEVICES BUSINESS:

(i) Heart Valve Business:

You will be happy to note that the Heart Valve Division has crossed the coveted milestone sales of 10,000 valves during the year under review through the support from the Cardiac Surgeons and the Welfare Programmes of State Governments.

The developmental initiatives relating to the Improved Heart Valves, Vascular Graft, Coronary Stent and Stent for Aneurysm Repair, are progressing satisfactorily.

The Heart Valve Division has been awarded ISO 9001-2008 Certification and is now ready to go through the audit for CE Marking by the British Standards Institution.

(ii) Orthopaedic Implants Business:

The recent acquisition of the Orthopaedic Implants business is expected to further consolidate the position of your Company in the Medical Devices Segment.

The commercial production of Knee Implants commenced in August 2009.

The initial response from Surgeons is quite encouraging and till date 250 implantations were done.

In April 2010, your Company had invited the collaborators from the US for the Ortho Business, Dr F F Buechel, a World Renowned Orthopaedic Surgeon and Dr M J Pappas, an internationally recognized expert in advanced design, to India. They conducted live surgeries for the benefit of Surgeons and presented papers at the All India Ortho Conference at Ahmedabad. Their visit gave a fillip to the marketing and promotional initiatives of your Company and enhanced the credibility of the product.

The existing facility at Ambattur has been refurbished and action is being initiated to increase the capacity to the extent possible, with balancing equipments. Further, steps are being taken to obtain CE Marking for Orthopaedic Implants too.

Your Company is also planning to scale up the capacity to 20,000 implants per annum over a period of next three years taking into account the anticipated demand. For this purpose, your Company proposes to set up a new manufacturing facility at Mahindra World City near Chengalpet within the next 18-24 months, at an estimated outlay of Rs.20 crores.

(4) FOODS BUSINESS:

The performance of the Foods Division was adversely impacted due to the frequent breakdown of both the manufacturing lines.

The proposal to have these lines refurbished by the original manufacturers from Italy was not found to be technically feasible.

Therefore, your Company recently imported a Snack Pellet Manufacturing Line from M/s Fen, Italy. This Line is under erection and commissioning. This line would have a production capacity of 2,200 tonnes of both extruded and 3D pellets.

Your Company is also considering further augmentation of capacity by acquiring a Pre-owned Snack Pellet Manufacturing Line available within India. Upon acquisition of this line, your Company may consider discontinuing the production from the existing manufacturing lines which are beyond repair.

(5) PUBLICATIONS / GIS BUSINESS:

The performance of the Publications Division is satisfactory. A major exercise has been initiated for revamping / upgrading the various existing titles and the same is underway.

As regards the GIS Business, your Company has proposed to initially work as a preferred vendor for the major GIS companies and has already received an order. This being a low margin segment, efforts are also made to procure value added businesses from other customers.

DIVIDEND:

In view of the improved performance, your Directors have recommended a higher dividend of 35% for the year under review as against the previous year's dividend of 30%.

BUY-BACK OF SHARES:

Under the Buy-back Scheme, your Company had bought back 3,44,431 Equity Shares of Rs.10/- each and the Scheme was closed on 18th September, 2009.

FINANCIAL YEAR 2010-11:

During the First Quarter, the performance of your Company was as per plans. Your Company achieved sales of around Rs.78 crores during the First Quarter as against the previous year's First Quarter sales of Rs.66.64 crores; a growth of about 18%.

Your Company would continue its strategy for growing the businesses that included consolidating and growing the existing brands, launch of new products in the relevant categories, investment in select businesses, etc.

Barring unforeseen circumstances, the outlook for the year 2010-11 is positive.

ACKNOWLEDGEMENT:

I acknowledge the valuable contributions of Banks, Business Associates, Employees and the Shareholders at all levels who have supported the Company in all its endeavours.

Thank you.
