TTK HEALTHCARE LIMITED

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

CHAIRMAN'S SPEECH

[55th ANNUAL GENERAL MEETING – 25th JULY, 2013]

Ladies and Gentlemen,

It gives me great pleasure to welcome you all to this 55th Annual General Meeting of your Company.

FINANCIAL YEAR 2012-13:

The Annual Report for the year has already been circulated. I would like to touch upon the salient features of the Company's performance during the year under review.

Financial Highlights:

- Revenue from Operations grew by around 8% from Rs.353.74 crores to Rs.382.30 crores.
- The Pre-tax Profit stood at Rs.21.62 crores. (Previous year - Rs.23.55 crores).
- Earnings per Share (EPS) was Rs.18.29 as against the previous year's figure of Rs.20.13.
- Your Company continues to be debt free except for the Working Capital borrowings of around Rs.22 crores and carries free cash balance of around Rs.70 crores.

The overall performance of the Company was affected mainly due to the discontinuation of the Distribution Arrangement with TTK Protective Devices Limited (formerly TTK-LIG Limited) for Kohinoor / Durex brand of Condoms in November, 2012, consequent to the settlement reached between them and their overseas partners.

BUSINESSWISE PERFORMANCE:

(1) CONSUMER PRODUCTS BUSINESS:

Woodwards Gripe Water (WGW) and Good Home Range of products reported healthy growth, during the year under review.

In November, 2012, M/s TTK Protective Devices Limited launched the Skore Brand of Condoms which is being nationally distributed by your Company. In a short span of time from launch, the performance of Skore has been quite impressive both in terms of market share and reach across the country.

Your Company has recently launched a premium version of Deodorant Spray under the brand EVA Exotic with higher volume content and price.

The immediate plans for the year 2013-14 would include ensuring accelerated growth for the existing brands through higher promotional spends and launch of new products which are complementary to the existing categories being handled by the Company.

(2) PHARMACEUTICAL BUSINESS:

Though the Ventura Division which handles herbal and anti-infertility segments have shown reasonable growth, the performance of Ethical Products Division (EPD) / Animal Welfare Division (AWD) has been below expectations.

Your Company has recently forayed into Cardiology and Diabetology segments, as a test marketing initiative and the response was much below the anticipated levels. Your Company has, therefore, decided to exit this business.

Attrition continues to be a major concern for the Pharma business.

The immediate plans for the year 2013-14 would include-

(a) enhanced focus on few existing flagship brands;

(b) identification and launch of new products in relevant therapeutic areas; and

(c) ensuring retention of field staff and improving their effectiveness through appropriate increase in their compensation packages and training and developmental initiatives to enhance field productivity.

(3) MEDICAL DEVICES BUSINESS:

The performance of Heart Valve business continues to be below expectations due to severe competition from imported brands and also lower off-take from Government-sponsored Welfare Programmes. Efforts are being made to identify new customers so as to retain the volumes.

During the year under review, the Ortho business reported healthy growth. Efforts are also being put in for developing the overseas markets permitted by the Collaborators.

The immediate plans for the year 2013-14 would include-

(i) further acceleration of doctor conversion / usage; and

(ii) development of new products.

(4) FOODS BUSINESS:

During the year under review, the overall performance of the Division has been quite encouraging.

Encouraged by the recent response by the trade to the product innovations and the overall market potential, your Company is putting up a state-of-the-art manufacturing facility in Rajasthan, at a cost

of around Rs.40 crores. Necessary land has been acquired for the said project at Jaipur and orders have been placed on an Italian Firm for plant and machinery. The plant is likely to be commissioned during the first half of 2014-15. The plant location at Jaipur would be strategic from the point of view of material procurement, nearness to customers and would focus on manufacturing innovative and value added products.

Your Company has also commenced a test marketing initiative by launching retail packs of Ready-to-fry Snack Pellets (Pappads) under "Fryums" brand in Andhra Pradesh.

(5) PUBLICATIONS BUSINESS:

Considering the current market scenario / declining demand for printed map-based products with the advent of digital technology, this business does not appear to be a suitable fit in the Company's overall growth plans. It is, therefore, proposed to run down the operations in a phased manner.

DIVIDEND:

Despite the challenging scenario, your Directors have recommended a dividend of Rs.4/- per share (i.e.) 40% for the year under review.

SCHEME OF AMALGAMATION:

The Board of Directors in their meeting held on 30th April, 2013 approved the Scheme of Amalgamation of M/s TTK Protective Devices Limited (TTKPD) (formerly TTK-LIG Limited) and its Wholly Owned Subsidiary M/s TSL Techno Services Limited (TSL) with your Company, the appointed date being 1st April, 2012.

The Scheme would be effective after the approval of the Regulatory Authorities, Shareholders and the Hon'ble High Court of Judicature at Madras.

DEVELOPMENT OF STRATEGIC GROWTH PLAN:

Your Company has engaged the services of M/s Bain & Company, a well-known International Firm of Strategy Consultants for developing a Strategic Growth Plan for your Company. The assignment has just been completed and their final report to the Board is awaited.

FINANCIAL YEAR 2013–14:

During the First Quarter, your Company achieved sales of around Rs.109.05 crores as against the previous year's First Quarter sales of Rs.108.49 crores.

LOOKING AHEAD / STRATEGIC INITIATIVES:

It is your Company's endeavour to continuously create value to the Shareholders which is evident from the track record of performance in the last few years. The challenge now is to sustain the good performance and to ensure further growth.

The broad strategic initiatives towards this end would be as below:

- The future thrust for Consumer Products Business would be-
  - (i) to exploit the full potential of the existing brands through appropriate promotional investments; and
  - (ii) to launch carefully chosen new products that are complementary to the existing categories dealt with by the Company so as to maximize the chances of success.
- The growth drivers for Pharma Business would be-
  - (i) sharper focus on the established flagship products;
  - (ii) expansion of product portfolio with new products in select therapeutic segments; and
  - (iii) improving the retention / effectiveness of the field force through appropriate compensation packages coupled with training and developmental initiatives.
- For Medical Devices business, the plan would be to grow the existing volumes of Heart Valves and Ortho Implants and to consolidate the presence in that Segment through addition of new products.
- The Foods Division of your Company, with the recent expansion of capacity at Hosakote and planned facility at Jaipur, would be a visible player in this segment. With further addition of capacities in phases, your Company would aspire to become a preferred supplier of Pellets (Pappads). Parallely, your Company would also work on branding / retailing opportunities in this segment.

ACKNOWLEDGEMENT:

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

Thank you.

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