Research

CRISIL
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CRISIL IER

Independent Equity Research

Enhancing investment decisions

Apollo Hospitals Enterprise Ltd

Q4FY17 Results Update

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

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Apollo Hospitals Enterprise Ltd

July 07, 2017

Relatively muted quarter; one-offs impact Chennai cluster's performance

Fundamental Grade:	**5/5 (Excellent fundamentals)**	**Valuation Grade:**	**4/5 (CMP has upside)**
Industry:	**Healthcare Providers & Services**	**Fair Value: ₹1,510**	**CMP: ₹1,275**

Apollo Hospitals Enterprise Ltd's (Apollo's) Q4FY17 standalone and consolidated earnings were slightly below CRISIL Research's expectations. Standalone revenue increased 14.8% y-o-y, driven by the pharmacy business (revenue up 22% y-o-y). The healthcare services business (hospitals) grew at a slightly slower pace of 9.5% y-o-y and 3% q-o-q to ₹9.2 bn owing to relatively muted volume growth in Q4FY17. Standalone EBITDA margin contracted 235 bps y-o-y and 131 bps q-o-q to 10.2% y-o-y owing to rising share of the low-margin pharmacy business and increasing revenue from the new hospitals which are yet to turn EBITDA positive. Cut in stent prices by the regulatory authorities in February 2017 further contracted revenue by ₹80-100 mn. Consequently, adjusted PAT declined 40.8% y-o-y and 33.9% q-o-q to ₹482 mn. We expect revenue growth momentum to sustain in the future, aided by the pharmacy business and ramp-up in occupancy at the new hospitals. Given its well-established position, robust long-term industry prospects and proven management capability, we remain positive on Apollo and retain our fundamental grade of **5/5**.

One-offs hurt Chennai cluster's performance; volumes drove growth in tier II/III cities

Chennai cluster's revenue declined 3.2% y-o-y owing to 5.6% y-o-y drop in outpatient volumes. Demonetisation and VIP admission of ~75 days had a spill-over impact in Q4FY17, thereby keeping volume growth muted. Hyderabad cluster's and tier II/III cities' revenues increased 20.5% and 26.1% y-o-y, respectively, driven by sustained growth in inpatient and outpatient volumes and increase in ARPOB. EBITDA margin of the standalone healthcare business declined to 12% in Q4FY17 from 13.3% in Q4FY16 mainly owing to commissioning of a new hospital in Navi Mumbai, which posted an EBITDA loss of ₹300 mn in Q4FY17. As occupancies at new hospitals improve, coupled with steady growth in ARPOB, revenue is expected to increase at a CAGR of ~18% over FY17-19.

Pharmacy revenue maintained growth momentum; margin contracted sequentially

The pharmacy business continued to demonstrate strong performance in Q4FY17. Revenue increased 22% y-o-y to ₹7.4 bn. Same-store revenue growth, increase in private label sales and cost rationalisation initiatives such as manpower optimisation per pharmacy led to EBITDA growth of 62% y-o-y to ~₹304 mn in Q4FY17. Consequently EBITDA margin improved 100 bps y-o-y to 4.1%. On a sequential basis, revenue per store declined to ₹2.9 mn per store from ₹3.2 mn per store owing to abnormally high sales during the two months immediately after demonetisation. The pharmacy business' revenue is expected to grow at a CAGR of 17.5% over FY17-19 to ₹39 bn, driven by new stores and maturing profile of the existing stores.

Earnings estimates lowered, fair value maintained at ₹1,510

We have lowered our earnings estimates to factor in higher-than-expected operating expenses for the new hospitals. Since the impact on discounted cash flow (DCF)-based fair value is immaterial, we maintain it at ₹1,510. At the current market price of ₹1,275, our valuation grade is **4/5**.

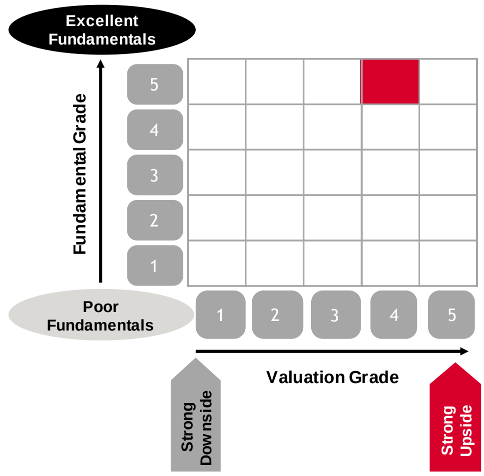
KEY FORECAST (CONSOLIDATED)

(₹ mn)	FY15	FY16	FY17E	FY18E	FY19E
Operating income	51,785	62,147	72,549	85,287	98,933
EBITDA	7,376	6,508	7,286	10,064	12,416
Adj net income	3,264	2,099	1,991	2,910	3,484
Adj EPS (₹)	23.5	15.1	14.3	20.9	25.0
EPS growth (%)	3.0	(35.7)	(5.1)	46.1	19.7
Dividend yield (%)	0.5	0.5	0.4	0.4	0.5
RoCE (%)	11.0	6.9	6.4	8.6	10.2
RoE (%)	10.5	6.3	5.5	7.4	8.5
PE (x)	54.3	84.5	82.3	61.0	50.9
P/BV (x)	5.5	5.2	4.6	4.4	4.2
EV/EBITDA (x)	26.2	30.8	28.1	20.8	17.1

CMP: Current market price

Source: Company, CRISIL Research estimates

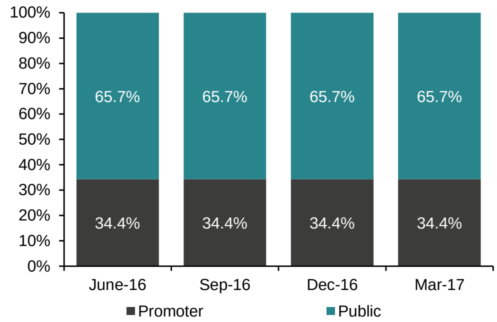
CFV MATRIX



KEY STOCK STATISTICS

NIFTY/SENSEX	9630/31369
NSE/BSE ticker	APOLLOHOSP
Face value (₹ per share)	5
Shares outstanding (mn)	139.1
Market cap (₹ mn)/(US$ mn)	177,386/2738
Enterprise value (₹ mn)/(US$ mn)	202,719/3129
52-week range (₹)/(H/L)	1,443/1111
Beta	0.9
Free float (%)	65.7%
Avg daily volumes (30-days)	360,559
Avg daily value (30-days) (₹ mn)	248.7

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	**3-m**	**6-m**	**12-m**
Apollo	-4%	10%	5%	-6%
CNX 500	1%	5%	20%	20%

For detailed initiating coverage report please visit: www.crisil.com

CRISIL Independent Equity Research reports are also available on Bloomberg (CRI <go>) and Thomson Reuters.

Q4FY17 Results Summary (Standalone)

(₹ mn)	Q4FY17	Q3FY17	Q4FY16	q-o-q (%)	y-o-y (%)	FY17	FY16	y-o-y (%)
Net sales	**16,616**	**16,806**	**14,479**	**(1.1)**	**14.8**	**64,418**	**55,883**	**15.3**
Direct cost	8,664	8,892	7,304	(2.6)	18.6	33,605	28,651	17.3
Direct cost (% of net sales)	*52%*	*53%*	*50%*	*-77bps*	*169bps*	*52%*	*51%*	*90bps*
Employees cost	2,483	2,471	2,230	0.5	11.3	9,418	8,357	12.7
Other expenses	3,769	3,502	3,123	7.6	20.7	13,666	11,434	19.5
EBITDA	**1,701**	**1,941**	**1,822**	**(12.4)**	**(6.6)**	**7,729**	**7,442**	**3.9**
EBITDA margin	**10.2%**	**11.5%**	**12.6%**	**-131bps**	**-235bps**	**12.0%**	**13.3%**	-132bps
Depreciation	628	618	485	1.7	29.4	2,406	2,005	20.0
EBIT	**1,073**	**1,323**	**1,336**	**(18.9)**	**(19.7)**	**5,324**	**5,437**	**(2.1)**
Interest and finance charges	578	513	438	12.6	31.9	2,004	1,336	50.0
Operating PBT	**495**	**810**	**898**	**(38.9)**	**(44.9)**	**3,320**	**4,101**	**(19.1)**
Other Income	91	31	95	196.4	(3.7)	270	327	(17.6)
Extraordinary Income/(expense)	-	-	-	NM	NM	-	(257)	NM
PBT	**586**	**841**	**993**	**(30.3)**	**(41.0)**	**3,589**	**4,171**	**(14.0)**
Tax	104	112	180	(7.1)	(41.9)	738	832	(11.3)
PAT	**482**	**728**	**813**	(33.9)	**(40.8)**	**2,852**	**3,340**	**(14.6)**
Adj PAT	**482**	**728**	**813**	**(33.9)**	**(40.8)**	**2,852**	**3,597**	**(20.7)**
Adj PAT margin	**2.9%**	**4.3%**	**5.6%**	**-144bps**	**-272bps**	**4.4%**	**6.4%**	**-201bps**
No of equity shares (mn)	139	139	139	**-**	-	139	139	-
Adj EPS (₹)	**3.5**	**5.2**	**5.8**	**(33.9)**	**(40.8)**	**20.5**	**25.9**	**(20.7)**

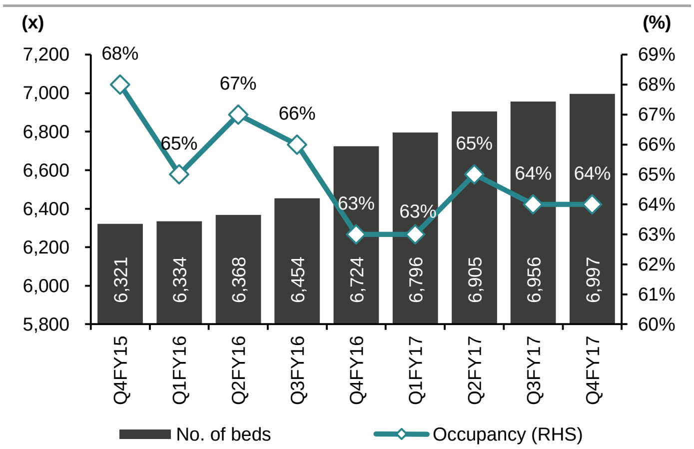
Source: Company, CRISIL Research

Q4FY17 Results Summary (Consolidated)

(₹ mn)	Q4FY17	Q3FY17	Q4FY16	q-o-q	y-o-y	FY17	FY16	y-o-y
Net sales	**18,331**	**19,115**	**15,962**	**-4%**	**15%**	**72,549**	**62,147**	**17%**
EBITDA	**1,510**	**1,876**	**1,528**	**-20%**	**-1%**	**7,286**	**6,878**	**6%**
EBITDA margin	8.2%	9.8%	9.6%	*-158bps*	*-134bps*	10.0%	11.1%	*-102bps*
PAT	**555**	**454**	**192**	**22%**	**189%**	**2,160**	**2,135**	**1%**
PAT margin	3.0%	2.4%	1.2%	*65bps*	*117bps*	3.0%	3.4%	*-46bps*

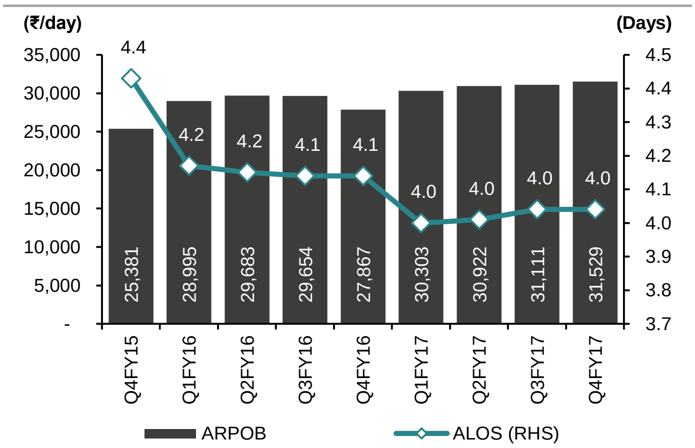
Source: Company, CRISIL Research

Occupancy stable at 64% in Q4FY17



Source: Company, CRISIL Research

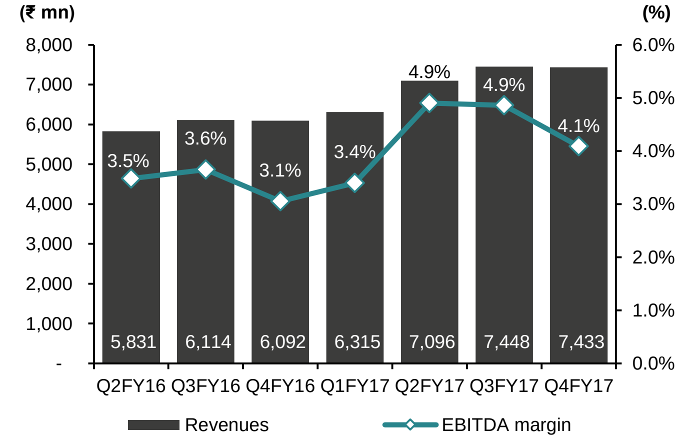
ARPOB and ALOS# also stable in Q4FY17



#Average length of stay

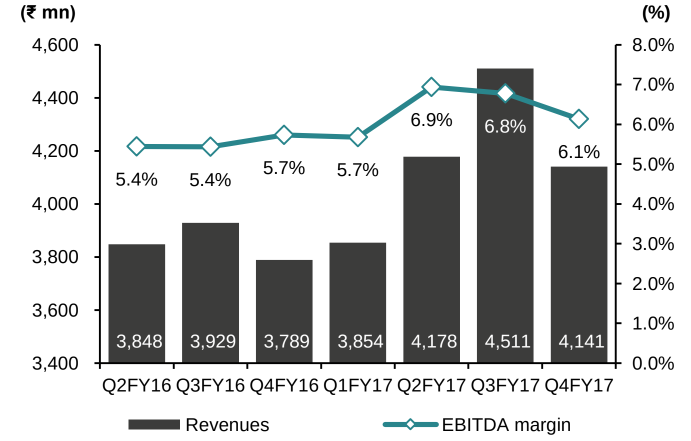
Source: Company, CRISIL Research

Pharmacy revenue remained flat sequentially



Source: Company, CRISIL Research

Mature* stores' margin declined 70 bps in Q4FY17

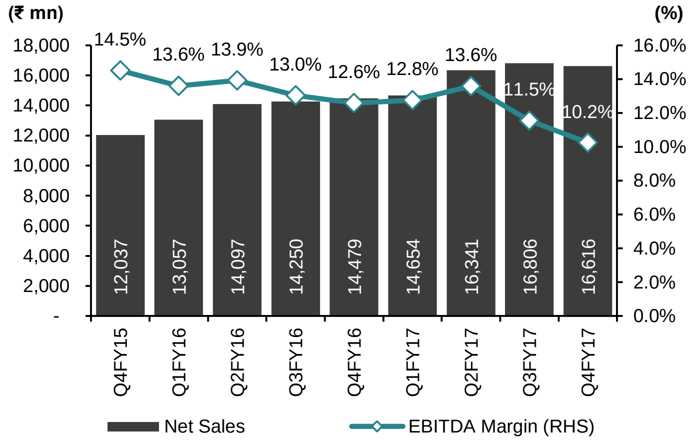


*Mature pharmacy stores - Operational before FY12

Non-mature pharmacy stores - Commenced operations post FY12

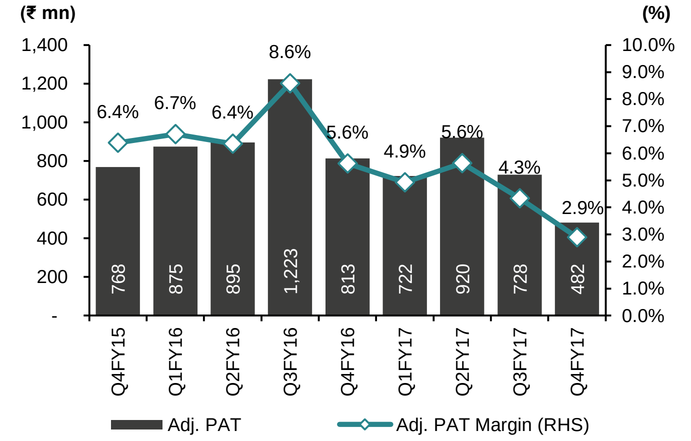
Source: Company, CRISIL Research

Standalone revenue stable; EBITDA margin declined



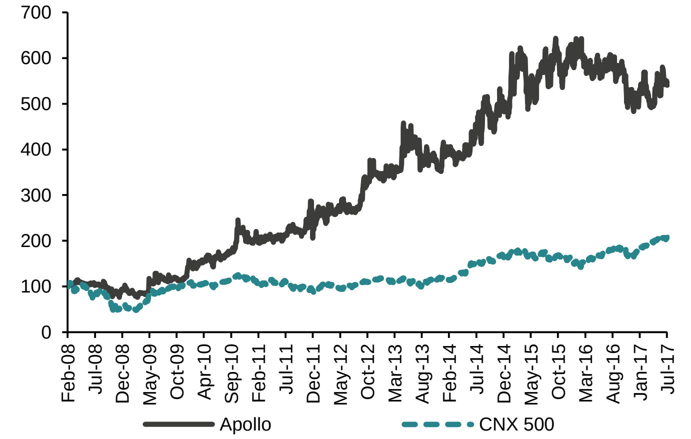
Source: Company, CRISIL Research

Standalone PAT margin declined 140 bps q-o-q to 4.1%



Source: Company, CRISIL Research

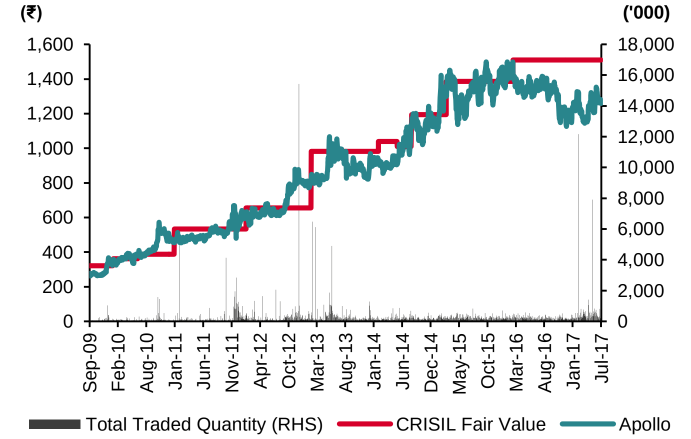
Share price movement



-Indexed to 100

Source: NSE, CRISIL Research

Fair value movement since initiation



Source: NSE, BSE, CRISIL Research

Key developments

Spill-over impact of demonetisation, VIP admission impacted volume growth in Chennai cluster

Impact of demonetisation and VIP admission had a spill-over impact on Q4FY17 volumes. Outpatient volumes declined 5.6% y-o-y to 95,418 whereas inpatient volumes reported a negligible growth of 0.6% to 21,845. Despite ARPOB reporting stable growth of 10% y-o-y, Chennai cluster's revenue declined 3.2% y-o-y and 3.9% q-o-q to ₹3,541 mn. Occupancy was stable at 59%.

ARPOB drove revenue growth in Chennai cluster

Particulars	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Operating beds	1,383	1,491	1,490	1,505	1,521	1,526	1,529	1,531	1,531	1,532
ALOS (days)	4.24	4.43	3.91	3.93	3.97	3.95	3.77	3.66	3.66	3.65
Occupancy	69.0%	67.0%	63.0%	63.0%	64.0%	63.0%	59.0%	60.0%	59.0%	59.0%
ARPOB (₹ per day)	35,304	34,266	40,657	40,639	39,815	40,646	42,664	44,218	44,460	44,679
Inpatient volumes	20,628	20,467	21,703	22,786	22,574	21,713	21,723	24,239	22,041	21,845
y-o-y growth	5.9%	10.1%	10.7%	7.3%	9.4%	6.1%	0.1%	6.4%	-2.4%	0.6%
Outpatient volumes	95,808	99,283	96,013	108,640	86,327	101,089	94,982	106,155	91,308	95,418
y-o-y growth	8.2%	12.1%	8.1%	10.8%	-9.9%	1.8%	-1.1%	-2.3%	5.8%	-5.6%
Inpatient revenue (₹ mn)	2,350	2,444	2,589	2,672	2,736	2,735	2,592	3,024	2,756	2,605
y-o-y growth	11.0%	16.8%	21.3%	14.0%	16.4%	11.9%	0.1%	13.2%	0.7%	-4.8%
Outpatient revenue (₹ mn)	795	781	862	974	772	922	906	915	930	936
y-o-y growth	16.2%	16.0%	14.7%	16.9%	-2.9%	18.1%	5.1%	-6.0%	20.5%	1.5%
Total revenue (₹ mn)	3,145	3,225	3,452	3,645	3,508	3,657	3,498	3,939	3,686	3,541
y-o-y growth	12.3%	16.6%	19.6%	14.7%	11.5%	13.4%	1.3%	8.1%	5.1%	-3.2%
q-o-q growth	-1.0%	2.5%	7.0%	5.6%	-3.8%	4.2%	-4.3%	12.6%	-6.4%	-3.9%

Source: Company, CRISIL Research

Healthy ARPOB growth and reducing ALOS boosted revenue growth in Hyderabad cluster

Focus on a richer case mix led to strong y-o-y growth of 18% in ARPOB. Moreover, improvement in medical programs was instrumental in improving ALOS to 3.8 days in Q4FY17 vis-à-vis four days in Q4FY16. Despite modest growth of 1.7% in inpatient and 7.5% in outpatient volumes, total revenue grew 20.5% y-o-y to ₹2,381 mn. The overall occupancy in Hyderabad cluster was stable at 64%.

APROB drove revenue growth in Hyderabad cluster; ALOS at 3.8 days

Particulars	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Operating beds	930	930	930	930	930	930	839	839	839	839
ALOS (days)	4.14	4.15	4.01	4.03	4.02	4.00	3.72	3.80	3.81	3.84
Occupancy	64.0%	63.0%	59.0%	61.0%	60.0%	60.0%	61.0%	65.0%	64.0%	64.0%
ARPOB (₹ per day)	22,523	23,081	25,640	26,771	27,341	28,173	32,564	31,210	32,101	33,274
Inpatient volumes	12,590	12,321	12,446	13,249	12,720	12,240	12,440	13,943	12,427	12,453
y-o-y growth	-3.7%	-4.3%	-7.0%	-2.4%	1.0%	-0.7%	0.0%	5.2%	-2.3%	1.7%
Outpatient volumes	39,900	37,384	39,706	43,830	41,725	38,757	39,696	44,468	41,097	41,669
y-o-y growth	2.2%	-6.8%	-2.3%	0.1%	4.6%	3.7%	0.0%	1.5%	-1.5%	7.5%
Inpatient revenue (₹ mn)	1,019	1,047	1,113	1,168	1,201	1,218	1,241	1,333	1,360	1,489
y-o-y growth	5.1%	10.1%	12.0%	16.1%	17.9%	16.3%	11.5%	14.2%	13.2%	22.2%
Outpatient revenue (₹ mn)	224	236	242	253	249	270	266	286	266	304
y-o-y growth	5.7%	14.6%	15.5%	7.5%	11.2%	14.4%	9.7%	13.2%	6.8%	12.6%
Total revenue (₹ mn)	1,243	1,283	1,356	1,420	1,450	1,488	1,507	1,619	1,626	1,793
y-o-y growth	5.2%	10.9%	12.6%	14.4%	16.7%	16.0%	11.1%	14.0%	12.1%	20.5%
q-o-q growth	0.2%	3.2%	5.7%	4.7%	2.1%	2.6%	1.3%	7.4%	0.4%	10.3%

Source: Company, CRISIL Research

Volumes continued to ramp up at hospitals in II/III cites

Revenue of Apollo's hospitals in tier-II/III cities such as Bhubaneswar, Madurai, Mysore, Karaikudi and Karur grew 26.1% y-o-y to ₹2,598 mn driven by 11% y-o-y growth in ARPOB. Volumes continued to ramp up as inpatients increased 17.3% y-o-y and the company operationalised 45 new beds during the quarter at various locations. Occupancy remained stable at 59%.

Volumes recorded healthy y-o-y growth in tier II/III hospitals

Particulars	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Operating beds	1,695	1,821	1,818	1,814	1,822	2,087	2,040	2,085	2,135	2,179
ALOS (days)	4.8	4.8	4.4	4.4	4.3	4.5	4.2	4.2	4.3	4.3
Occupancy	66.0%	63.0%	62.0%	63.0%	63.0%	57.0%	57.0%	59.0%	59.0%	59.0%
ARPOB (₹ per day)	15,159	14,953	18,436	18,680	18,789	18,369	20,230	20,101	19,931	20,416
Inpatient volumes	23,082	22,936	23,332	24,318	25,366	24,111	25,440	28,122	27,175	28,292
y-o-y growth	10.5%	16.5%	15.8%	12.3%	9.9%	5.1%	9.0%	15.6%	7.1%	17.3%
Outpatient volumes	64,385	68,085	67,645	71,229	71,087	70,580	73,216	82,031	78,770	84,748
y-o-y growth	7.8%	20.6%	13.3%	9.5%	10.4%	3.7%	8.2%	15.2%	10.8%	20.1%
Inpatient revenue (₹ mn)	1,377	1,397	1,636	1,956	1,740	1,777	1,842	2,059	2,052	2,238
y-o-y growth	15.0%	16.4%	28.5%	48.5%	26.4%	27.2%	12.6%	5.3%	17.9%	25.9%
Outpatient revenue (₹ mn)	247	242	267	271	282	283	302	334	329	360
y-o-y growth	21.1%	16.9%	22.5%	14.3%	14.2%	16.9%	13.1%	23.2%	16.7%	27.2%
Total revenue (₹ mn)	1,624	1,639	1,903	2,227	2,022	2,060	2,144	2,393	2,381	2,598
y-o-y growth	15.9%	16.5%	27.6%	43.3%	24.5%	25.7%	12.7%	7.5%	17.8%	26.1%
q-o-q growth	4.5%	0.9%	16.1%	17.0%	-9.2%	1.9%	4.1%	11.6%	-0.5%	9.1%

Source: Company, CRISIL Research

Pharmacy division on a steady growth path

The pharmacy business' revenue increased 22% y-o-y, but declined 0.2% q-o-q, to ₹7.4 bn. Strong revenue growth across batches coupled with cost-control measures led to sharp increase of 63% y-o-y in EBITDA to ₹304 mn. However, on a sequential basis, revenue declined slightly despite increase in the number of stores owing to abnormally high sales during the period immediately after demonetisation. In Q4FY17, revenue per store slipped to ₹2.9 mn per store vis-à-vis ₹3.21 mn per store in Q3FY17. Growth in same-store revenue and increase in the share of private label sales led to ~100 bps y-o-y expansion in EBITDA margin to 4.1% in Q4FY17.

Strong revenue growth, reduction in operating cost led to sharp rise in EBITDA

Particulars	Q4FY17	Q3FY17	Q4FY16	q-o-q	y-o-y
Total revenue (₹ mn) – (a)	7,433	7,448	6,092	-0.2%	22.0%
Mature stores					
Up to 2010 batch	2,991	3,260	2,778	-8.2%	7.7%
2011 batch	505	551	444	-8.4%	13.9%
2012 batch	644	700	567	-8.0%	13.6%
Total mature store revenue – (b)	4,141	4,511	3,789	-8.2%	9.3%
Contribution to revenue (b/a)	55.7%	60.6%	62.2%	*-486bps*	*-649bps*
Overall EBITDA margin	4.1%	4.9%	3.1%	*-77bps*	*104bps*
Mature stores	6.1%	6.8%	5.7%	*-64bps*	*40bps*
Non-mature stores	1.5%	1.9%	-1.4%	*-40bps*	*288bps*

Source: Company, CRISIL Research

Earnings estimate revision

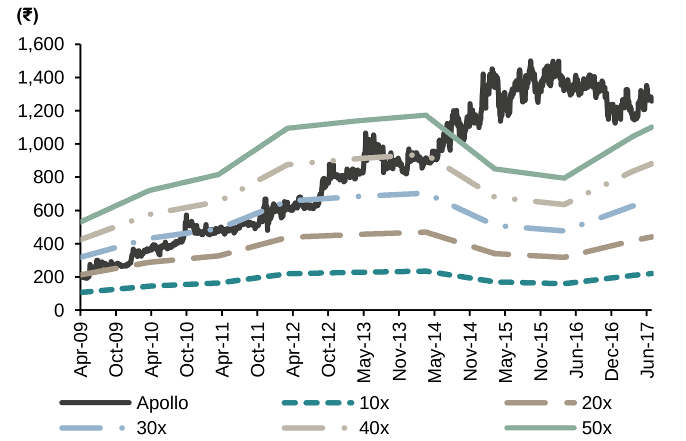
Particulars	Unit	FY17E			FY18E		
		Old	New	% change	Old	New	% change
Revenues	(₹ mn)	84,563	85,287	0.9%	97,934	98,933	1.0%
EBITDA	(₹ mn)	10,993	10,064	-8.5%	13,452	12,416	-7.7%
EBITDA margin	%	13.6%	11.8%	-180bps	13.7%	12.6%	-119bps
PAT	(₹ mn)	4,110	3,852	-6.3%	5,796	4,544	-21.6%
PAT margin	%	4.9%	4.5%	-34bps	5.9%	4.6%	-133bps

Line item	FY17	FY18
Revenues	Increased on account of higher-than-expected sales in the new hospitals	
EBITDA margin	Decreased to factor in higher operating expenses	
PAT	Decreased in line with reduced EBITDA estimates	

Valuation Grade: 4/5

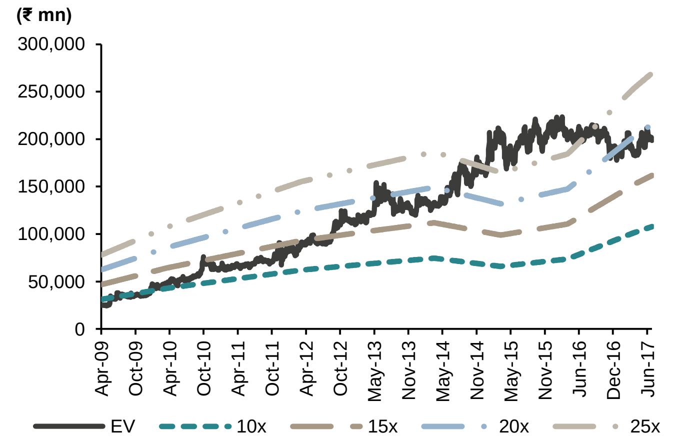
We have lowered our earnings estimates to factor in higher-than-expected operating expenses in the new hospitals. Since the impact on our DCF-based fair value is immaterial, we maintain it at ₹1,510 per share. At this value, the implied EV/EBITDA multiples are 24.1x FY18E and 19.8x FY19E EBITDA. At the current market price of ₹1,275, the valuation grade is **4/5**.

One-year forward P/E band



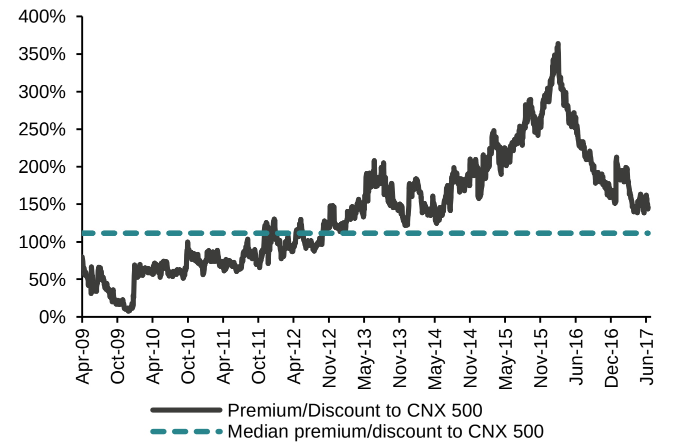
Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



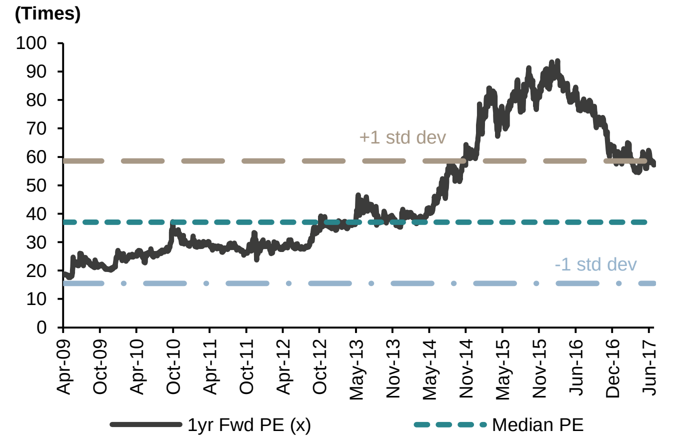
Source: NSE, CRISIL Research

P/E – premium / discount to CNX 500



Source: NSE, CRISIL Research

P/E movement



Source: NSE, CRISIL Research

CRISIL IER reports released on Apollo Hospitals Enterprise Ltd

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
22-Sep-09	Initiating coverage	4/5	₹321#	4/5	₹270#
30-Nov-09	Q2FY10 result update	4/5	₹321#	4/5	₹264#
01-Feb-10	Q3FY10 result update	4/5	₹362#	3/5	₹356#
18-Jun-10	Q4FY10 result update	4/5	₹387#	3/5	₹390#
27-Aug-10	Q1FY11 result update	4/5	₹387#	3/5	₹402#
07-Jan-11	Detailed Report	5/5	₹533	4/5	₹454
15-Feb-11	Q3FY11 result update	5/5	₹533	4/5	₹463
06-Jun-11	Q4FY11 result update	5/5	₹533	3/5	₹489
15-Aug-11	Q1FY12 result update	5/5	₹533	3/5	₹516
10-Nov-11	Q2FY12 result update	5/5	₹533	3/5	₹549
23-Nov-11	Detailed Report	5/5	₹533	3/5	₹559
16-Feb-12	Q3FY12 result update	5/5	₹655	3/5	₹613
07-Jun-12	Q4FY12 result update	5/5	₹655	3/5	₹680
17-Aug-12	Q1FY13 result update	5/5	₹655	3/5	₹626
16-Nov-12	Q2FY13 result update	5/5	₹655	2/5	₹834
14-Feb-13	Q3FY13 result update	5/5	₹982	4/5	₹840
02-May-13	Detailed report	5/5	₹982	4/5	₹826
23-May-13	Q4FY13 result update	5/5	₹982	3/5	₹943
19-Aug-13	Q1FY14 result update	5/5	₹982	3/5	₹912
19-Nov-13	Q2FY14 result update	5/5	₹982	4/5	₹867
18-Feb-14	Q3FY14 result update	5/5	₹1,040	4/5	₹925
12-May-14	Detailed Report	5/5	₹1,040	3/5	₹950
05-Jun-14	Q4FY14 result update	5/5	₹1,010	3/5	₹947
20-Aug-14	Q1FY15 result update	5/5	₹1,195	3/5	₹1,174
19-Sep-14	Event Update	5/5	₹1,195	3/5	₹1,146
25-Nov-14	Q2FY15 result update	5/5	₹1,195	3/5	₹1,193
26-Feb-15	Q3FY15 result update	5/5	₹1,386	3/5	₹1,303
31-July-15	Detailed Report	5/5	₹1,386	3/5	₹1,365
08-Sep-15	Q1FY16 result update	5/5	₹1,386	3/5	₹1,322
15-Dec-15	Q2FY16 result update	5/5	₹1,386	3/5	₹1,388
07-Mar-16	Q3FY16 result update	5/5	₹1,510	3/5	₹1,410
14-June-16	Q4FY16 result update	5/5	₹1,510	4/5	₹1,326
01-Nov-16	Detailed Report	5/5	₹1,510	4/5	₹1,338
09-Dec-17	Q2FY17 result update	5/5	₹1,510	4/5	₹1,224
24-Mar-17	Q3FY17 result update	5/5	₹1,510	5/5	₹1,179
06-July-17	Q4FY17 result update	5/5	₹1,510	3/5	₹1,275

After adjusting for stock split of ₹10 to ₹5

CRISIL
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Annexure: Financials (Consolidated)

Income statement

(₹ mn)	FY15	FY16#	FY17E	FY18E	FY19E
Operating income	**51,785**	**62,147**	**72,549**	**85,287**	**98,933**
EBITDA	**7,376**	**6,508**	**7,286**	**10,064**	**12,416**
EBITDA margin	**14.2%**	**10.5%**	**10.0%**	**11.8%**	**12.6%**
Depreciation	2,117	2,639	3,140	3,852	4,544
EBIT	**5,259**	**3,869**	**4,146**	**6,212**	**7,872**
Interest	1,179	1,800	2,574	2,802	3,282
Operating PBT	**4,081**	**2,069**	**1,572**	**3,410**	**4,590**
Other income	339	450	225	235	239
Exceptional inc/(exp)	(438)	159	-	-	-
PBT	**3,981**	**2,678**	**1,797**	**3,645**	**4,829**
Tax provision	1,300	969	910	1,189	1,376
Minority interest/share of profit	(145)	(549)	(1,104)	(454)	(31)
PAT (Reported)	**2,826**	**2,258**	**1,991**	**2,910**	**3,484**
Less: Exceptionals	(438)	159	-	-	-
Adjusted PAT	**3,264**	**2,099**	**1,991**	**2,910**	**3,484**

Ratios

	FY15	FY16#	FY17E	FY18E	FY19E
Growth					
Operating income (%)	18.1	20.0	16.7	17.6	16.0
EBITDA (%)	9.0	(11.8)	12.0	38.1	23.4
Adj PAT (%)	3.0	(35.7)	(5.1)	46.1	19.7
Adj EPS (%)	3.0	(35.7)	(5.1)	46.1	19.7
Profitability					
EBITDA margin (%)	14.2	10.5	10.0	11.8	12.6
Adj PAT Margin (%)	6.3	3.4	2.7	3.4	3.5
RoE (%)	10.5	6.3	5.5	7.4	8.5
RoCE (%)	11.0	6.9	6.4	8.6	10.2
RoIC (%)	10.8	7.6	6.5	8.7	10.0
Valuations					
Price-earnings (x)	54.3	84.5	82.3	61.0	50.9
Price-book (x)	5.5	5.2	4.6	4.4	4.2
EV/EBITDA (x)	26.2	30.8	28.1	20.8	17.1
EV/Sales (x)	3.7	3.2	2.8	2.5	2.1
Dividend payout ratio (%)	28.3	37.0	34.8	24.9	24.9
Dividend yield (%)	0.5	0.5	0.4	0.4	0.5
B/S ratios					
Inventory days	34	36	36	37	36
Creditors days	55	52	34	32	32
Debtor days	43	36	38	35	35
Working capital days	78	56	61	68	67
Gross asset turnover (x)	1.4	1.4	1.3	1.4	1.5
Net asset turnover (x)	1.9	1.9	1.8	2.0	2.2
Sales/operating assets (x)	1.6	1.6	1.6	1.8	1.9
Current ratio (x)	2.9	2.2	2.8	3.1	3.0
Debt-equity (x)	0.6	0.8	0.8	0.9	0.9
Net debt/equity (x)	0.5	0.7	0.7	0.8	0.8
Interest coverage (EBITDA/interest)	6.3	3.6	2.8	3.6	3.8
Interest coverage (EBIT/interest)	4.5	2.1	1.6	2.2	2.4

Per share

	FY15	FY16#	FY17E	FY18E	FY19E
Adj EPS (₹)	23.5	15.1	14.3	20.9	25.0
CEPS	38.7	34.0	36.9	48.6	57.7
Book value	233.2	244.2	279.4	287.6	301.6
Dividend (₹)	5.7	6.0	5.0	5.2	6.2
Actual o/s shares (mn)	139.1	139.1	139.1	139.1	139.1

Balance Sheet

(₹ mn)	FY15	FY16#	FY17E	FY18E	FY19E
Liabilities					
Equity share capital	696	696	696	696	696
Reserves	31,018	32,504	36,018	38,055	40,494
Minorities	730	779	2,164	1,266	767
Net worth	**32,443**	**33,979**	**38,878**	**40,016**	**41,956**
Convertible debt	-	-	-	-	-
Other debt	19,923	26,309	30,598	34,567	37,567
Total debt	**19,923**	**26,309**	**30,598**	**34,567**	**37,567**
Deferred tax liability (net)	4,020	2,175	2,269	2,269	2,495
Total liabilities	**56,386**	**62,463**	**71,744**	**76,851**	**82,018**
Assets					
Net fixed assets	30,328	36,449	42,758	43,906	44,362
Capital WIP	5,996	5,616	3,467	5,750	8,923
Total fixed assets	**36,325**	**42,065**	**46,226**	**49,657**	**53,285**
Investments	**1,949**	**3,523**	**4,357**	**3,912**	**3,444**
Current assets					
Inventory	3,503	4,061	4,669	6,309	7,047
Sundry debtors	6,093	6,094	7,482	8,129	9,430
Loans and advances	9,679	10,524	9,636	10,901	12,645
Cash & bank balance	3,557	3,788	5,264	3,560	3,280
Marketable securities	1,374	-	-	-	-
Total current assets	**24,205**	**24,466**	**27,051**	**28,899**	**32,402**
Total current liabilities	**8,206**	**11,116**	**9,632**	**9,358**	**10,856**
Net current assets	**15,998**	**13,350**	**17,419**	**19,541**	**21,547**
Intangibles/Misc. expenditure	**2,113**	**3,525**	**3,742**	**3,742**	**3,742**
Total assets	**56,386**	**62,463**	**71,744**	**76,851**	**82,018**

Cash flow

(₹ mn)	FY15	FY16#	FY17E	FY18E	FY19E
Pre-tax profit	4,419	2,519	1,797	3,645	4,829
Total tax paid	(571)	(2,814)	(816)	(1,189)	(1,149)
Depreciation	2,117	2,639	3,140	3,852	4,544
Working capital changes	(2,661)	1,506	(2,593)	(3,826)	(2,286)
Net cash from operations	**3,303**	**3,849**	**1,529**	**2,483**	**5,938**
Cash from investments					
Capital expenditure	(8,229)	(9,791)	(7,518)	(7,283)	(8,172)
Investments and others	105	(200)	(834)	445	467
Net cash from investments	**(8,124)**	**(9,990)**	**(8,353)**	**(6,838)**	**(7,705)**
Cash from financing					
Equity raised/(repaid)	10	(0)	-	0	-
Debt raised/(repaid)	6,479	6,387	4,289	3,969	3,000
Dividend (incl. tax)	(964)	(1,004)	(835)	(873)	(1,045)
Others (incl extraordinaries)	323	990	4,846	(445)	(467)
Net cash from financing	**5,849**	**6,372**	**8,300**	**2,651**	**1,488**
Change in cash position	1,028	231	1,476	(1,704)	(280)
Closing cash	3,557	3,788	5,264	3,560	3,280

Quarterly financials (standalone)

(₹ mn)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Net Sales	**14,479**	**14,654**	**16,341**	**16,806**	**16,616**
Change (q-o-q)	2%	1%	12%	3%	-1%
EBITDA	**1,822**	**1,869**	**2,219**	**1,941**	**1,701**
Change (q-o-q)	-2%	3%	19%	-13%	-12%
EBITDA margin	**12.6%**	**12.8%**	**13.6%**	**11.5%**	**10.2%**
PAT	813	722	920	728	482
Adj PAT	**813**	**722**	**920**	**728**	**482**
Change (q-o-q)	-34%	-11%	27%	-21%	-34%
Adj PAT margin	**5.6%**	**4.9%**	**5.6%**	**4.3%**	**2.9%**
Adj EPS	**5.8**	**5.2**	**6.6**	**5.2**	**3.5**

Source: CRISIL Research

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Last updated: April 2016

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

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