

MAX INDIA

Earnings soft on regulatory interventions

India Equity Research | Healthcare

Max India's (Max) hospital business (MHC) revenue grew 6% to INR6.76bn, while EBITDA declined 14% YoY to INR690mn. Margins were impacted by regulatory controls, hiatus in cashless insurance, and increase in wages. Going forward, performance will normalize in H2FY18 led by a) restoration of cashless services, b) cost saving of INR 600mn and c) expansion in Saket and Shalimar bagh. The health insurance business (Max Bupa) gross premium written grew 22%, while first year premium grew only 8% due to price increases. We continue to see Max as a compelling bet on the tertiary care market in NCR, and on upsides from investments in health insurance. Maintain 'BUY' with TP of INR170.

Earnings muted on regulatory interventions

ARPOB grew 11% YoY, however occupancy declined to 74% (78% in Q2FY17) owing to lower vector borne diseases and temporary suspension of cashless services. Overall MHC network EBITDA declined 14% to INR690mn due to a) INR250mn impact from pricing controls on knee caps and stents, b) INR200mn impact from business lost during negotiations with insurance (GIPSA), 3) gaps in clinician hiring in CNS, and d) 37% increase in minimum wages in Delhi. EBITDA at Saket city (46% of beds)/ East Delhi complex (29% of beds) was down 8%/18% YoY.

Unlock value in Diagnostic business and Healthcare insurance

Diagnostic business which was launched last year has 450 B2B tie-ups currently and has commenced B2C operations in Punjab in Q4FY17. This vertical currently clocks revenue of INR12.5mn per month, expected to triple by the end of this year. Company plans to expand this business to new locations where they do not have Hospital presence. Max Bupa continues to narrow losses and is on track to break even by FY19. Eventually, company plans to carve out these businesses once they attain critical mass.

Outlook and valuations: Strong growth potential; maintain 'BUY'

We forecast FY17-19 revenue CAGR of 16% with EBITDA margin improving ~125bps, driving ~22% EBITDA CAGR and RoCE is estimated to expand to 7.9% during the period. We maintain 'BUY/SO'. We have assumed 20x FY19E EV/ EBITDA for MHC and 1x FY19E P/BV for Max Bupa & Antara to arrive at our SOTP-based TP of INR170.

Financials - MHC Financials (Max India's share - 49.75%)

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	FY17	FY18E	FY19E
Net revenues	6,760	6,400	5.6	6,660	1.5	24,540	28,543	33,164
EBITDA	690	800	(13.8)	640	7.8	2,810	3,197	4,212
EBITDA margin (%)	10.2	12.5	-229bps	9.6	60bps	11.5	11.2	12.7
Adjusted profit	20	150	NA	(30)	NA	240	149	337
Diluted P/E (x)						324.1	483.1	213.4
EV/EBITDA (x)						21.9	17.8	13.5
ROACE (%)						7.6	6.4	7.9

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Equalweight

MARKET DATA (R: NA, B: MAXI IN)

CMP	: INR 134
Target Price	: INR 170
52-week range (INR)	: 164 / 119
Share in issue (mn)	: 268.4
M cap (INR bn/USD mn)	: 36 / 559
Avg. Daily Vol.BSE/NSE('000)	: 377.2

SHARE HOLDING PATTERN (%)

	Current	Q1FY18	Q4FY17
Promoters *	41.0	41.1	41.1
MF's, FI's & BK's	26.9	26.8	29.8
FII's	19.4	19.5	21.5
Others	12.8	12.6	7.6
* Promoters pledged shares (% of share in issue)			NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Pharma Index
1 month	(3.6)	6.5	8.3
3 months	(11.1)	3.4	3.2
12 months	(1.2)	22.4	(8.6)

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Q2FY18 conference call: Key highlights

Healthcare (MHC)

Outlook:

- Expect 10-15% growth from Q3FY18
- Q4FY18 EBITDA margin should revert to FY17 levels
- Should benefit from
 - GIPSA (insurance) price increase
 - 45 new beds + 4 Operation theatre in Saket
 - New radiation therapy in Shalimar Bagh
 - International market offices (revenue of INR10-15mn/month) will start contributing
 - Neuro business will improve post new hiring
- Plan to open 5 more international offices this quarter
- Expect Saket and East Delhi margins to be at 14.5-15% levels

Impact of regulatory and temporary issues:

- For H1FY18: 6% decline in revenue due to regulatory and temporary issues
 - Downsized Pitampura unit to a day care center 2% impact
 - Regulatory issues -1% impact
 - Suspension of cashless insurance – 1.5% impact
 - Others – 2% impact
- H1FY18: Adjusted for regulatory issues 37% EBITDA growth, 215bps expansion
- For Q2FY18: 8% revenue loss, adjusted 43% EBITDA growth in Q2FY18
- Neuro segment - 1-1.5% decline over past year due to delay in filing up vacancies. 6-7 positions were vacant. Hired 5 doctors currently.
- Impact of regulatory growth will be mitigated in near term

Lower occupancy during quarter:

- Low vector borne diseases
- Negotiation with insurance companies resulted in shutdown of cashless facilities for 64% of total insurance patients for a month
- Lower liver transplants (INR40-50mn revenue loss) due to visa issues in Pakistan

Insurance: GIPSA (60% of total insurance). For GIPSA, 30% are packages. Company was required to give 10% discount on balance business. Lost INR190-200mn of sales (one-time) during the quarter, but have negotiated prices that should compensate on EBITDA by year end. INR200mn gain each year.

Downsizing Pithampur:

- Shut the IPD center (70 beds) in Jan'18 due to changes in requirements relating to infrastructure. Revamping the entire facility that should be completed by Dec'17
- Expanding Shalimar facility to compensate downsize in Pithampur
- Day care center (Panchsheel) generally registers 20-25% EBITDA margin

Growth in different therapy areas and segments:

- Oncology- 28%
- Renal transplant-13%
- Liver transplant- 150 plus surgeries
- Walk-in's -20%
- International -16%

Higher employee costs:

- Hired a liver transplant team that will start contributing going ahead
- Increase in minimum wages

Price increases:

- Prices hiked by 3.5% till date (usually 2.5-3% per year), could be 4% by year end with GIPSA
- Cannot take price increases for government contracts

Cost rationalisation measures:

- 45% from personnel cost
- 35% from material cost
- 25% from indirect costs
- Technological cost rationalisation will help going ahead
- Expect power cost to lower. Looking at captive power generation and investing in a power company

Other businesses:

- Diagnostics
 - 450 B2B tie-ups
 - B2C launched in Q4 in Punjab region
 - Monthly revenue runrate of INR12.5mn, expect to be INR30-35mn/month by year end
 - Wants to enter multiple locations – Punjab, Faridabad
 - Expects sharp scale up at low investments
 - Has invested INR100mn
 - Going ahead, will carve it into a separate business
- Max@Home: INR120mn revenue for H1FY18
- Onco day care: Delhi Lajpat Nagar center broke even in 12 months. In Q3FY18, 8% EBITDA margin. Looking to open new center in Gurgaon. Scouting for one more location in Noida

Price regulation:

- 3%-3.5% impact on EBITDA margin
- Will need to charge appropriately on services rather than just devices
- Will also need to check doctor payouts which is a function of service fees
- Stent price regulation: total impact – INR350-360mn, still have INR220-250mn impact

- Decision has been taken to increase prices across services. However, haven't increased for cardio

On regulation of doctors' service charges:

- Currently only in the South. No talks in Northern region where the company is present
- Delhi does not have a Clinical Establishment Act. Currently, the Nursing Act does not empower the government to cap cost of doctors service.

Health Insurance (Bupa):

Will breakeven in FY19

Price increase:

- 'Price increase taken towards end of Q1FY18, which resulted in low new sales growth. This improved in Oct'17
- Price increases due to inflation in healthcare costs
- Most players, including PSUs, have been revising their prices more frequently

Bancassurance channel: 92% growth. South India bank has started contributing

- Expect new sales to grow 25-26% by year end
- Lower claim ratio due to higher mix of B2C
- Launched Health ATM (Kiosk – up to INR1mn policy without any manual intervention); 25 machines will be launched in pilot project and wants to take it to 100 by FY18 end
- Fixed benefit was <1% last year, currently 3.5%-4%. Going forward, intend to take it to 10%
- Point of care desk at main hospital doing well
- Max Bupa currently has 4% of overall market share. The lower market share is because it is present only in B2C. Moreover, many players are taking underwriting risks. But, Bupa is focused on profitability.
- Increase in claims in line with industry growth
- Re-priced 2 out of 3 main products which has led to lower number of agents (more difficult to market). Number of agents has increased since end of the quarter
- No interest cost in P&L

Antara:

100 units sold

Looking at arrangements and asset-light models wherein

- Developers will develop, Antara will make it senior friendly, and operate
- Antara@Home provides services at home
- Sell to build model - customers buy and then you build

Table 1: Actual versus estimates

MHC network			Estimates		Deviation from
	Actual Q2FY18	Y-o-Y Growth (%)	Q2FY18	Y-o-Y Growth (%)	Actual (%)
Net revenue	6,760	5.6	7,040	10.0	(4.0)
Contribution	3,910	5.1	4,154	11.7	(5.9)
Contribution margin	58		59		
EBITDA	690	(13.8)	804	0.5	(14.1)
EBITDA margin	10	-229bps	11	-109bps	
Finance cost	320	(8.6)	320	(9)	0.0
Depreciation	340	13.3	320	6.7	6.3
PBT	30	(80.0)	164	9.1	(81.7)

Source: Company, Edelweiss research

Table 2: MHC network

	Q2FY18	Q2FY17	% change	Q1FY18	% change
Key operational matrix					
Average inpatient operational beds	2,369	2,354	0.6	2,356	0.6
Average inpatient occupancy	74.3	77.9	-360bps	72.9	140bps
ALOS	3.0	3.3	(8.7)	3.0	0.7
ARPOB	43,959	39,522	11.2	44,940	(2.2)
Key financial matrix					
Net revenue	6,760	6,400	5.6	6,660	1.5
EBITDA	690	800	(13.8)	640	7.8
EBITDA margin	10.2	12.4	-219bps	9.6	60bps

Source: Company, Edelweiss research

Table 3: Max Bupa Healthcare Insurance business

INR mn	Q2FY18	Q2FY17	% change	Q1FY18	% change
Gross written premium income	1,680	1,380	21.7	1,590	5.7
First year premium	540	500	8.0	540	-
Renewal premium	1,150	880	30.7	1,050	9.5
Net earned premium	1,460	1,480	(1.4)	1,330	9.8
Net loss	(56)	230	NA	20	NA
Claim ratio (B2C segment, normalized) (%)	60	58	230bps	57	380bps
Average premium realization per life (B2C)	8,057	6,940	16.1	7,844	2.7
Conservation ratio (B2C segment) (%)	83	84	-100bps	82	100bps
Number of agents	13,357	14,705	(9.2)	11,700	14.2
Paid up capital	9,260	9,260	-	9,260	-

Source: Company, Edelweiss research

Table 4: SOTP valuation on FY19 financials

Valuation	Mar-18
Hospitals	
Multiple	20x
EBITDA (FY19E)	4,212
EV	84,237
Less: net debt (Mar '18E)	18,513
Market Cap (Mar '18E)	65,723
MIL's stake@49.75%	32,697
Max Bupa (investment) (@51% stake)	4,580
Antara (investment)	2,000
Cash (FY17)	5,941
Total	45,219
No of shares	267
Target Price	169

Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	YTD18	FY18E	FY19E
Net revenues	6,760	6,400	5.6	6,660	1.5	13,420	28,543	33,164
Cost of revenue	2,850	2,680	6.3	2,840	0.4	5,690	9,419	10,944
Gross profit	3,910	3,720	5.1	3,820	2.4	7,730	19,124	22,220
EBITDA	690	800	(13.7)	640	7.8	1,340	3,197	4,212
EBITDA margin	12.4	12.5		9.6		10.0	11.2	12.7
Depreciation	340	300	13.3	330	3.0	670	1,603	1,825
EBIT	350	500	(30.0)	310	12.9	670	1,594	2,387
Other income								
Interest	320	350	(8.6)	320	0.0	640	1,408	1,966
Profit before tax	30	150	(80.0)	(10)	(400.0)	20	186	421
Provision for taxes	10	-		20	(50.0)	30	37	84
Reported net profit	20	150	(86.7)	(30)	(166.7)	(10)	149	337
Adjusted Profit	20	150	(86.7)	(30)	(166.7)	(10)	149	337
Diluted shares (mn)	267	267		267		267	267	267
Adjusted Diluted EPS	0.1	0.6	(86.7)	(0.1)	(166.7)	-	0.6	1.3
Diluted P/E (x)	-	-		-		-	483.1	213.4
EV/EBITDA (x)	-	-		-		-	17.8	13.5
ROAE (%)	-	-		-		-	1.3	2.9
Cost of revenue	42.2	41.9		42.6		42.4	33.0	33.0
Gross profit	57.8	58.1		57.4		57.6	67.0	67.0
Total expenses	89.6	87.5		90.4		90.0	88.8	87.3
Operating profit	5.2	7.8		4.7		5.0	5.6	7.2
Reported net profit	0.3	2.3		(0.5)		(0.1)	0.5	1.0
Tax rate	33.3	-		(200.0)		150.0	20.0	20.0

Company Description

Max India (Max) is a holding company with 3 lines of business: (i) healthcare, through Max Healthcare Institute (MHC); (ii) health insurance, through Max Bupa; and (iii) senior living, through Antara.

MHC, along with its operating subsidiaries, comprises the healthcare business. MHC is currently a joint venture wherein Max holds 46% equity. Life Healthcare, the JV partner, also hold 46% equity in MHC, while the balance is held by financial investors and a few employees. The network comprises 2,570 beds served by over 2,858 physicians, 4,151 paramedics and 2,565 support staff across 14 hospitals.

Investment Theme

Max India (Max) is well poised to clock strongest growth among India's hospitals peers. We expect earnings spurt to be fuelled by: (i) ~50% jump in capacity over FY16-22 in high-potential NCR market via brownfield expansion (with improving mix of maturity); (ii) channel (international patients) and service (lucrative tertiary care therapies) mix; and (iii) cost efficiency initiatives driving EBITDA margin surge. We believe, Max is a compelling bet on the tertiary care opportunity in the NCR market, which could have upsides from investments in health insurance.

Key Risks

Success of business depends on expansion of network

Historically, Max's business growth has been primarily driven by establishing new centres and hospitals through various partnership arrangements and acquisitions. The company expects these will continue to be key drivers for future growth as well. Any hiccups in expansion of network will have adverse impact on growth.

Subsidiaries may not sustain profitability in future

Some subsidiaries had reported net losses in recent years and may not be able to achieve or sustain profitability in future, which may materially and adversely impact business prospects.

Specialist physicians could dis-associate

Success of business is dependent on Max's ability to attract and retain leading specialist physicians and other healthcare professionals including physicians and nurses. Much depends, among other things, on the commercial terms that it offers, reputation of its centres & hospitals and exposure to technology and research opportunities that it offers to these professionals.

Rising infrastructure costs could restrict investments

Near-term upfront investments could suppress margin, if infrastructure costs continue to spiral.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.9	6.6	6.8	7.4
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.5	67.1	65.0	66.0

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	20,982	24,540	28,543	33,164
Materials costs	5,581	6,140	7,421	8,623
Clinician payout	1,685.0	1,940.0	1,998.0	2,321.5
Employee costs	6,778	8,140	9,419	10,778
Other indirect overheads	3,644.0	4,300.0	5,137.7	5,903.2
HO cost	1,147.0	1,210.0	1,370.0	1,326.6
EBITDA	2,147	2,810	3,197	4,212
Operating profit	2,147	2,810	3,197	4,212
EBIT	1,093	1,570	1,594	2,387
Less: Interest Expense	995	1,330	1,408	1,966
Profit Before Tax	98	240	186	421
Less: Provision for Tax	-	-	37	84
Reported Profit	98	240	149	337
EBITDA - Max India share	987.6	1,292.6	1,590.4	2,095.4
Adjusted PAT - Max India share	45.1	110.4	74.1	167.7
Adjusted Profit	98	240	149	337
Shares o/s (mn)	267	267	267	267
Adjusted Basic EPS	0.2	0.4	0.3	0.6
Diluted shares o/s (mn)	267	267	267	267
Adjusted Diluted EPS	0.2	0.4	0.3	0.6
Adjusted Cash EPS	2.0	2.5	3.0	3.7
Dividend per share (DPS)	-	-	-	0.1
Dividend Payout Ratio(%)	-	-	-	10.0

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	89.8	88.5	88.8	87.3
Materials costs	26.6	25.0	26.0	26.0
Clinician payout	8.0	7.9	7.0	7.0
Other indirect overheads	17.4	17.5	18.0	17.8
HO cost	5.5	4.9	4.8	4.0
Staff costs	32.3	33.2	33.0	32.5
S G & A expenses	5.5	4.9	4.8	4.0
Depreciation	5.0	5.1	5.6	5.5
Interest Expense	4.7	5.4	4.9	5.9
EBITDA margins	10.2	11.5	11.2	12.7
Net Profit margins	0.5	1.0	0.5	1.0

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	24.3	17.0	16.3	16.2
EBITDA	25.9	30.9	13.8	31.8
PBT	(269.0)	144.9	(22.5)	126.4
Adjusted Profit	(269.0)	144.9	(38.0)	126.4
EPS	(269.0)	144.9	(32.9)	126.4

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Shareholders' funds	10,701	11,218	11,367	11,663	
Total Borrowings	9,452	9,762	17,762	19,762	
Long Term Liabilities	1,315	1,538	1,789	2,078	
Sources of funds	21,468	22,492	30,918	33,504	
Depreciation	1,054	1,240	1,603	1,825	
Net Block	20,525	20,837	29,225	31,355	
Cash and Equivalents	208	280	1,038	992	
Inventories	392	364	550	512	
Sundry Debtors	2,273	2,479	1,900	2,643	
Loans & Advances	2,219	2,886	3,357	3,900	
Current Assets (ex cash)	4,884	5,729	5,807	7,055	
Capex creditors	198.0	159.6	272.6	229.6	
Total Current Liab	3,951	4,194	4,879	5,668	
Net Curr Assets-ex cash	735	1,375	655	1,157	
Uses of funds	21,468	22,492	30,918	33,504	
BVPS (INR)	18.4	19.3	19.6	20.1	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	98	240	149	337	
Add: Depreciation	1,054	1,240	1,603	1,825	
Interest (Net of Tax)	995	1,330	1,126	1,573	
Others	(979)	(1,362)	282	393	
Less: Changes in WC	475	624	(720)	502	
Operating cash flow	693	824	3,879	3,626	
Less: Capex	10,153	1,541	9,991	3,955	
Free Cash Flow	(10,455)	(2,047)	(7,238)	(1,902)	

Cash flow metrics					
Year to March	FY16	FY17	FY18E	FY19E	
Operating cash flow	693	824	3,879	3,626	
Investing cash flow	(8,723)	(1,541)	(9,991)	(3,955)	
Financing cash flow	7,918	788	6,843	284	
Net cash Flow	(112)	71	732	(46)	
Capex	(10,153)	(1,541)	(9,991)	(3,955)	

Profitability and efficiency ratios					
Year to March	FY16	FY17	FY18E	FY19E	
ROAE (%)	1.1	2.2	1.3	2.9	
ROACE (%)	6.7	7.6	6.4	7.9	
Inventory Days	23	22	22	22	
Debtors Days	33	35	28	25	
Payable Days	11	11	11	11	
Cash Conversion Cycle	46	47	40	37	
Current Ratio	1.2	1.4	1.3	1.4	
Gross Debt/EBITDA	4.4	3.5	5.6	4.7	
Gross Debt/Equity	0.9	0.9	1.6	1.7	
Adjusted Debt/Equity	0.9	0.9	1.6	1.7	
Net Debt/Equity	0.9	0.8	1.5	1.6	
Interest Coverage Ratio	1.1	1.2	1.1	1.2	

Operating ratios					
Year to March	FY16	FY17	FY18E	FY19E	
Total Asset Turnover	1.2	1.1	1.1	1.0	
Fixed Asset Turnover	1.3	1.2	1.1	1.1	
Equity Turnover	2.3	2.2	2.5	2.9	

Valuation parameters					
Year to March	FY16	FY17	FY18E	FY19E	
Adj. Diluted EPS (INR)	0.2	0.4	0.3	0.6	
Y-o-Y growth (%)	(269.0)	144.9	(32.9)	126.4	
Adjusted Cash EPS (INR)	2.0	2.5	3.0	3.7	
Diluted P/E (x)	796.6	325.3	484.9	214.2	
P/B (x)	7.3	7.0	6.9	6.7	
EV / Sales (x)	2.9	2.5	2.2	1.9	
EV / EBITDA (x)	28.5	21.9	17.8	13.5	
Dividend Yield (%)	-	-	-	-	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Max India Limited	559	484.9	214.2	17.8	13.5	1.3	2.9
Apollo Hospitals Enterprise	2,224	50.0	28.5	20.7	16.0	7.1	11.9
Dr. Lal Pathlabs Ltd	1,044	40.6	32.4	24.3	19.4	22.7	23.6
FORTIS HEALTHCARE LTD	1,151	(295.5)	152.2	14.5	12.6	0.2	1.6
HealthCare Global Enterprises Limited	367	97.8	67.9	21.3	16.7	5.1	8.3
Thyrocare Technologies Ltd	567	40.1	31.3	23.5	18.3	21.2	24.1
Median	-	45.3	50.1	22.4	17.5	6.1	10.1
AVERAGE	-	69.6	87.7	22.6	17.8	9.6	12.1

Source: Edelweiss research

Additional Data

Directors Data

Analjit Singh	Founder and Chairman Emeritus	Rahul Khosla	Chairman
Mohit Talwar	Managing Director	Ashok Kacker	Director
Mr Ashwani Windlass	Director	Dipankar Gupta	Director
N.C. Singhal	Director	Sanjeev Mehra	Director
Tara Singh Vachani	Director		

Auditors - S.R. Batliboi & Co. LLP

Holding – Top 10

	Perc. Holding		Perc. Holding
Liquid Investment & Trading	8.88	Reliance Capital Trustee	5.98
Ward Ferry Management BVI	3.79	DSP Blackrock	3.28
International Finance Corp	3.08	GIC Private Limited	2.47
New York Life group	1.92	Nomura Singapore	1.87
L&T investment management	1.50	UTI asset management	1.46

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
07 Apr 2017	Max Ventures Investment Holdings Pvt Ltd	Buy	140000.00
06 Apr 2017	Max Ventures Investment Holdings Pvt Ltd	Buy	140000.00
05 Apr 2017	Max Ventures Investment Holdings Pvt Ltd	Buy	140000.00
03 Apr 2017	Mohit Talwar	Sell	140000.00
03 Apr 2017	Max Ventures Investment Holdings Pvt Ltd	Buy	140000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Apollo Hospitals Enterprise	BUY	SO	L	Dr. Lal Pathlabs Ltd	BUY	SP	L
FORTIS HEALTHCARE LTD	BUY	SO	L	HealthCare Global Enterprises Limited	BUY	SP	M
Max India Limited	BUY	SO	L	Thyrocare Technologies Ltd	BUY	SP	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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Coverage group(s) of stocks by primary analyst(s): Healthcare

Apollo Hospitals Enterprise, Dr. Lal Pathlabs Ltd, FORTIS HEALTHCARE LTD, HealthCare Global Enterprises Limited, Max India Limited, Thyrocare Technologies Ltd

Recent Research

Date	Company	Title	Price (INR)	Recos
09-Oct-17	Healthcare	Weak flu season, regulatory pressure to impact earnings; <i>Result Preview</i>		
04-Aug-17	Fortis Healthcare	Steady Quarter; <i>Result Update</i>	166	Buy
01-Jun-17	Max India	Steady quarter; capex plan advanced; <i>Result Update</i>	149	Buy

Distribution of Ratings / Market Cap

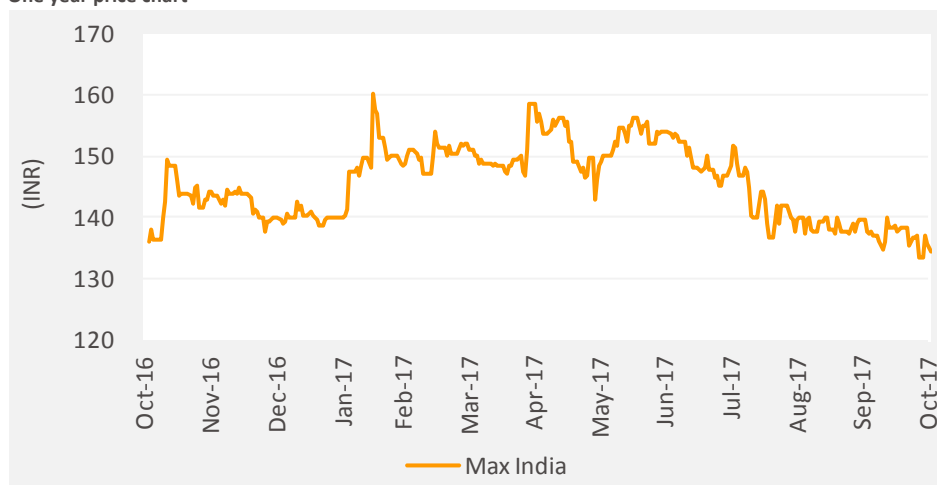
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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