

HEALTHCARE GLOBAL ENTERPRISES

Extends strong performance

India Equity Research | Healthcare



Healthcare Global (HCG) reported in-line Q4FY17 with revenue and EBITDA growing 18% and 20% YoY, respectively. Existing oncology centers posted 17% YoY growth in revenue, while the new centres continued strong ramp up thereby reducing their EBITDA loss to INR9mn (INR14mn loss in Q3FY17). Ongoing expansion is on track, and new centers continue to break even faster. We expect debt and capex to peak at ~INR2bn and ~INR5.1bn, respectively, by FY18 to fund expansion plans. In our view, HCG is positioned for robust EBITDA growth owing to strong therapy tailwind and EBITDA margin levers. We maintain 'BUY' with a target price of INR310 (18x FY19E EV/EBITDA).

Robust quarter

Oncology grew 16% driven by strong growth in existing centers and good ramp up at new centers. EBITDA margin, at 16.4%, improved 34bps YoY/167bpsQoQ. Existing centers reported EBITDA of INR309mn (up 17% YoY). EBITDA break-even for newer hospitals is now happening at relatively faster pace (<12 months) and losses from new centers continued to decline to INR9mn versus INR14mn in Q3FY17. Fertility grew 16%/36% YoY. Capex doubled sequentially to INR809mn (INR466mn in Q3FY17), and net debt now stands at INR3.07bn. In our view, both capex and debt will peak at ~INR2bn and ~INR5.1bn, respectively, by FY18 due to current phase of expansion.

Expansion plans on track

HCG is on track to add 2 onco centers in Q1FY18, 2 Milann centers in Q2FY18 and 4 onco centers in Q3FY18. In addition, the company plans to establish a comprehensive cancer center in Gurgaon, which is expected to be commissioned over 18 months-2 years. Having established strong presence in Karnataka, Gujarat and East India, HCG now plans to enhance presence in Maharashtra and North India.

Outlook and valuations: Soon maturing; maintain 'BUY'

We estimate revenue CAGR of 25% over FY17-19 and EBITDA margin to improve by ~60bps, translating into ~28% EBITDA CAGR. RoCE will improve by 310bps to 10%. At CMP, the stock trades at 13.7x FY19E EV/EBITDA. We maintain 'BUY/SO' with TP of INR310 (18x FY19E EV/EBITDA, 20% discount to 1-year forward sector multiple).

Financials

(INR mn)

| Year to March | Q4FY17 | Q4FY16 | % change | Q3FY17 | % change | FY17 | FY18E | FY19E |
|-------------------|--------|--------|----------|--------|----------|-------|-------|--------|
| Net revenues | 1,824 | 1,550 | 17.7 | 1,762 | 3.6 | 7,001 | 9,138 | 10,988 |
| EBITDA | 300 | 249 | 20.2 | 260 | 15.3 | 1,050 | 1,300 | 1,715 |
| EBITDA margin (%) | 16.4 | 16.1 | | 15 | | 15.0 | 14.2 | 15.6 |
| Adjusted profit | 69 | 29 | 140 | 54 | 29.0 | 222 | 233 | 326 |
| Diluted P/E (x) | | | | | | 97.1 | 92.3 | 66.1 |
| EV/EBITDA (x) | | | | | | 22.4 | 18.1 | 13.7 |
| ROACE (%) | | | | | | 6.9 | 7.7 | 10.0 |

EDELWEISS 4D RATINGS

| | |
|--------------------------------|-------------|
| Absolute Rating | BUY |
| Rating Relative to Sector | Performer |
| Risk Rating Relative to Sector | Medium |
| Sector Relative to Market | Equalweight |

MARKET DATA (R: , B: HCG IN)

| | |
|------------------------------|-------------|
| CMP | : INR 253 |
| Target Price | : INR 310 |
| 52-week range (INR) | : 289 / 167 |
| Share in issue (mn) | : 85.7 |
| M cap (INR bn/USD mn) | : 22 / 338 |
| Avg. Daily Vol.BSE/NSE('000) | : 168.0 |

SHARE HOLDING PATTERN (%)

| | Current | Q3FY17 | Q2FY17 |
|--|---------|--------|--------|
| Promoters * | 24.4 | 24.6 | 24.6 |
| MF's, FI's & BK's | 28.3 | 38.1 | 36.1 |
| FII's | 15.6 | 13.4 | 14.3 |
| Others | 31.7 | 23.9 | 25.0 |
| * Promoters pledged shares (% of share in issue) | : | NIL | |

PRICE PERFORMANCE (%)

| | Stock | Nifty | EW Pharma Index |
|-----------|-------|-------|-----------------|
| 1 month | (6.0) | 2.2 | (9.9) |
| 3 months | 6.2 | 6.4 | (10.7) |
| 12 months | 37.7 | 19.8 | (9.3) |

Deepak Malik

+91 22 6620 3147
deepak.malik@edelweissfin.com

Rahul Solanki

+91 22 6623 3317
rahul.solanki@edelweissfin.com

Archana Menon

+91 22 6620 3020
archana.menon@edelweissfin.com

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Q4FY17 con-call highlights

Quarter

Region-wise EBITDA margin

- Karnataka 24.8%
- Gujarat 12.2%, Existing centers in Gujarat 32% for Q4FY17 and 18% for FY17
- East India 26.1%

New cancer centers at Kalaburagi, Vadodara and Visakhapatnam continued to ramp up satisfactorily resulting in significant reduction in overall losses at new centers in the quarter.

Vadodara center is close to break even.

Kanpur's new comprehensive cancer centre commenced operations.

EBITDA margin of existing centers improved due to better payer mix and economies of scale.

Growth in Karnataka cluster was slow due to high focus on international patients and lower number of government scheme patients at the Bangalore center

New Milann centres in Delhi, Mumbai and Chandigarh contributed to the strong revenue growth in the quarter

Expansion plans

Oncology

HCG is positive about growth in Gujarat and Maharashtra (new centers at Borivali, Nagpur and South Mumbai).

New flagship comprehensive cancer centers are being set up in Gurgaon and NCR, which will have the most advanced technology in cancer care with the potential for proton therapy. The comprehensive cancer center should be commissioned in 18 months - 2 years. Most projects break-even in 12-18 months.

Milann

The company believes there are significant growth opportunities due to its good brand name and association with Dr Kamini Rao.

The market is currently unorganised. Milann is trying to organise the market

The 2 demand drivers for the sector are changing lifestyles and nature of Indian social structure which lays importance on having kids. The company believes it could be leader in capitalising on the opportunity.

Investment per center (excluding real estate) - INR50-60mn.

Guidance

Existing centers will see improvement in margins. New centers will stress in margins.

Tax rate at 34%

Debt will increase to fund capex requirement.

Envisaged capex of INR2bn for FY18 would be funded via debt:equity mix.

Chart 1: Revenue growth steady

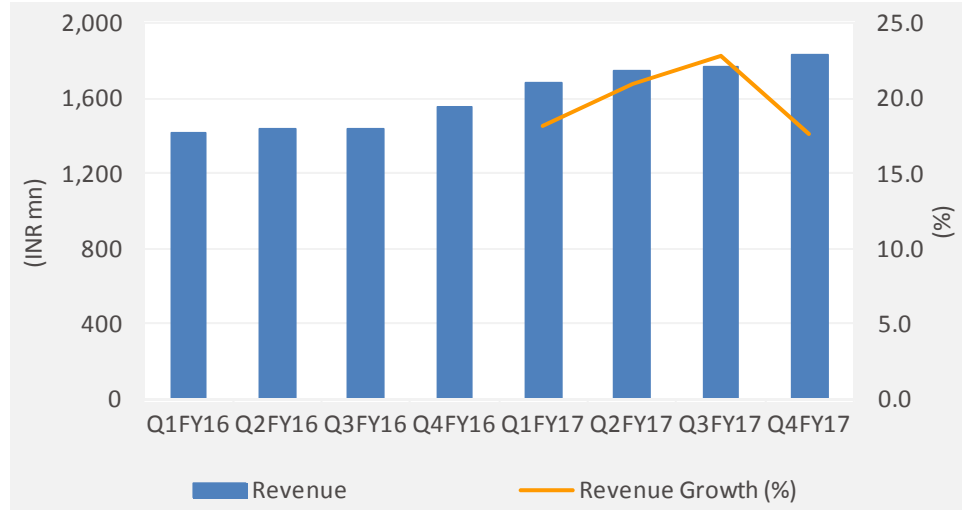


Chart 2: Gradual EBITDA margin improvement

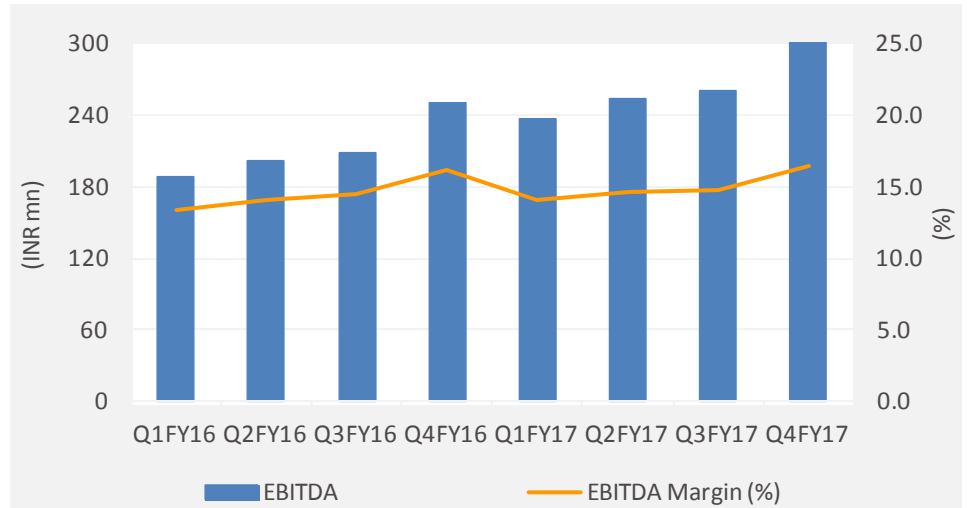
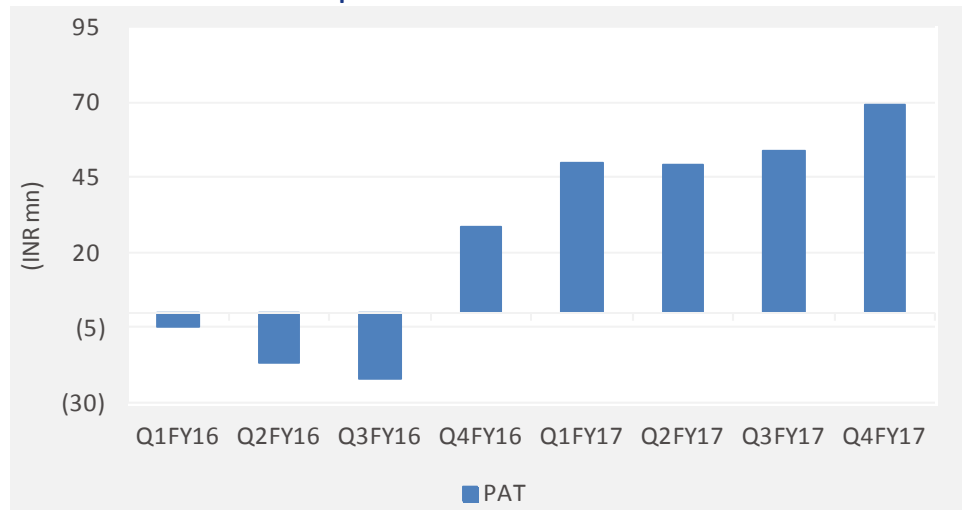


Chart 3: Profit continues to improve



Source: Company, Edelweiss research

Table 1: HCG centers – Revenue

| Cluster | Q4FY17 | Q4FY16 | Growth (%) |
|----------------|--------------|--------------|-------------|
| Karnataka | 725 | 701 | 3.4 |
| Gujarat | 514 | 388 | 32.5 |
| East India | 127 | 109 | 16.5 |
| Tamil Nadu | 61 | 68 | (10.3) |
| North India | 49 | 65 | (24.6) |
| Maharashtra | 109 | 50 | 118.0 |
| Andhra Pradesh | 76 | 46 | 65.2 |
| Total | 1,661 | 1,430 | 16.2 |

Source: Company, Edelweiss research

Table 2: HCG centers – Operating metrics

| | Q4FY17 | Q4FY16 | Growth (%) |
|--------------------|--------|--------|------------|
| Number of centers | 20 | 17 | 17.6 |
| Beds | 1,364 | 1,146 | 19.0 |
| Occupied beds | 54,559 | 53,422 | 2.1 |
| avg occupancy rate | 44.3 | 51.8 | |
| ALOS | 2.91 | 2.95 | (1.4) |
| ARPOB (INR/day) | 30,443 | 26,738 | 13.9 |
| Revenue (INR mn) | 1,662 | 1,431 | 16.1 |
| EBITDA margin (%) | 20.2 | 20.4 | |

Source: Company, Edelweiss research

Table 3: Milann – Expansion on track

| | Q4FY17 | Q4FY16 | Growth (%) |
|-------------------|--------|--------|------------|
| New registrations | 1,042 | 1,122 | (7.1) |
| IVF cycles | 497 | 334 | 48.8 |
| Revenue | 162 | 119 | 36.1 |

Source: Company, Edelweiss research

Table 4: Capital expenditure

| | FY16 | FY17 |
|-----------------------|--------------|--------------|
| HCG centers | 2,101 | 1,977 |
| existing centers | 336 | 260 |
| expansions | 528 | 381 |
| new centers | 1,237 | 1,336 |
| Milann centers | 108 | 119 |
| existing centers | 48 | 21 |
| expansions | - | - |
| new centers | 60 | 98 |
| Total | 2,209 | 2,096 |

Source: Company, Edelweiss research

Table 5: Net debt

| | FY16 | FY17 |
|-------------------------------------|--------------|--------------|
| Net debt (total) | 1,919 | 3,066 |
| Bank debt | 694 | 1,320 |
| Vendor Finance | 1,447 | 1,834 |
| Capital leases | 524 | 491 |
| Other debt | 137 | 73 |
| Less: cash | (883) | (652) |
| Debt in new centers | 837 | 2,021 |
| Bank debt | 112 | 885 |
| vendor finance | 709 | 1,123 |
| other debt | 16 | 13 |
| Net Debt (Excl. New Centres) | 1,082 | 1,045 |

Source: Source: Company, Edelweiss research

Financial snapshot

(INR mn)

| Year to March | Q4FY17 | Q4FY16 | % change | Q3FY17 | % change | FY17 | FY18E | FY19E |
|------------------------|--------|---------|----------|--------|----------|-------|-------|--------|
| Net revenues | 1,824 | 1,550 | 17.7 | 1,762 | 3.6 | 7,001 | 9,138 | 10,988 |
| Cost of revenue | 450 | 386 | 16.6 | 431 | 4.3 | 1,709 | 2,312 | 2,747 |
| Gross profit | 1,375 | 1,165 | 18.0 | 1,330 | 3.3 | 5,292 | 6,826 | 8,241 |
| Other expenses | 774 | 647 | 19.5 | 750 | 3.2 | 3,023 | 4,039 | 4,741 |
| EBITDA | 300 | 249 | 20.2 | 260 | 15.3 | 1,050 | 1,300 | 1,715 |
| EBITDA margin | 16.4 | 16.1 | | 14.8 | | 15.0 | 14.2 | 15.6 |
| Depreciation | 150 | 119 | 26.1 | 149 | 0.5 | 568 | 630 | 693 |
| EBIT | 150 | 131 | 14.8 | 111 | 35.2 | 482 | 669 | 1,021 |
| Other income | 36 | 8 | 336.6 | 17 | 110.6 | 97 | 83 | 81 |
| Interest | 69 | 110 | (37.2) | 51 | 35.2 | 230 | 376 | 457 |
| Add: Exceptional items | | (10) | (100.0) | | | | | |
| Profit before tax | 117 | 19 | 526.9 | 77 | 51.8 | 348 | 376 | 645 |
| Provision for taxes | 36 | (19) | (288.9) | 26 | 35.2 | 118 | 128 | 219 |
| Minority interest | 12 | 9 | 35.2 | (3) | (483.9) | 9 | 15 | 100 |
| Reported net profit | 69 | 29 | 140.4 | 54 | 29.0 | 222 | 233 | 326 |
| Adjusted Profit | 69 | 29 | 140.4 | 54 | 29.0 | 222 | 233 | 326 |
| Diluted shares (mn) | 85 | 85 | | 85 | | 85 | 85 | 85 |
| Adjusted Diluted EPS | 0.8 | 0.3 | 140.4 | 0.6 | 29.0 | 2.6 | 2.7 | 3.8 |
| Diluted P/E (x) | - | - | | - | | 97.1 | 92.3 | 66.1 |
| EV/EBITDA (x) | - | - | | - | | 22.4 | 18.1 | 13.7 |
| ROAE (%) | - | - | | - | | 4.9 | 4.9 | 7.9 |
| Cost of revenue | 24.7 | 24.9 | | 24.5 | | 24.4 | 25.3 | 25.0 |
| Gross profit | 75.3 | 75.1 | | 75.5 | | 75.6 | 74.7 | 75.0 |
| Total expenses | 83.6 | 83.9 | | 85.2 | | 85.0 | 85.8 | 84.4 |
| Operating profit | 16.4 | 16.1 | | 14.8 | | 15.0 | 14.2 | 15.6 |
| Reported net profit | 3.8 | 1.9 | | 3.0 | | 3.2 | 2.6 | 3.0 |
| Tax rate | 30.6 | (101.6) | | 34.4 | | 33.9 | 34.0 | 34.0 |

Company Description

HealthCare Global Enterprises (HCG) is a provider of speciality healthcare in India with 4 broad verticals:

- Cancer: Operates India's largest cancer care network with 17 comprehensive cancer centers (CCCs) under the HCG brand, 3 free-standing diagnostic centers and 1 chemotherapy center
- Infertility: Operates 5 fertility centres under the Milann brand
- Runs 2 multi-specialty hospitals
- Under the Triesta brand, runs a cancer-focused diagnostic and clinical trial management centre

Each of its CCCs offer, at a single location, comprehensive cancer diagnosis and treatment services (including radiation, medical oncology and surgical treatments). The freestanding diagnostic centres and daycare chemotherapy centres offer diagnosis and medical oncology services, respectively.

HCG is well equipped to deliver quality cancer care to patients across India in a seamless manner. It relies on a network of physicians across the country specialising in medical, radiation and surgical oncology, and its integrated multi-disciplinary and technology-focused approach relies on close collaboration among oncologists, nuclear medicine physicians, pathologists and radiologists.

Investment Theme

HCG, a focused oncology player, is poised to benefit from strong growth in the therapy. Also, HCG's hub and spoke model is at the cusp of rapid EBITDA scale up as: (i) several of its comprehensive cancer centers are set to mature; and (ii) it has one of the best specialty mixes and is looking at enhancing its channel mix. Ergo, owing to strong therapy tailwind and EBITDA margin levers, HCG is positioned for robust EBITDA growth.

Key Risks

Success of business hinges on network expansion

Subsidiaries may dither on profitability

Specialist physicians could dis-associate

Rising infrastructure costs could restrict investment

Financial Statements

Key Assumptions

| Year to March | FY16 | FY17 | FY18E | FY19E |
|----------------------------------|----------|----------|----------|----------|
| Macro | | | | |
| GDP(Y-o-Y %) | 7.2 | 6.5 | 7.1 | 7.7 |
| Inflation (Avg) | 4.9 | 4.8 | 5.0 | 5.2 |
| Repo rate (exit rate) | 6.8 | 6.3 | 6.3 | 6.3 |
| USD/INR (Avg) | 65.0 | 67.5 | 67.0 | 67.0 |
| Company | | | | |
| EBITDA margin (%) | 14.7 | 15.2 | 14.4 | 15.8 |
| Number of beds | 1,146.0 | 1,604.0 | 1,757.0 | 1,757.0 |
| Number of new registrations- HCG | 37,242.0 | 45,941.1 | 59,628.7 | 69,678.6 |
| Tax rate (%) | (30.8) | 33.9 | 34.0 | 34.0 |

Income statement

(INR mn)

| Year to March | FY16 | FY17 | FY18E | FY19E |
|-------------------------|-------|-------|-------|--------|
| Gross revenues | 5,781 | 6,928 | 9,051 | 10,883 |
| Net revenue | 5,781 | 6,928 | 9,051 | 10,883 |
| Other Operating Income | 61 | 73 | 87 | 105 |
| Income from operations | 5,842 | 7,001 | 9,138 | 10,988 |
| Materials costs | 1,500 | 1,709 | 2,312 | 2,747 |
| Employee costs | 1,005 | 1,219 | 1,487 | 1,785 |
| Other Expenses | 2,489 | 3,023 | 4,039 | 4,741 |
| EBITDA | 848 | 1,050 | 1,300 | 1,715 |
| Operating profit | 848 | 1,050 | 1,300 | 1,715 |
| EBIT | 407 | 482 | 669 | 1,021 |
| Add: Other income | 39.9 | 96.7 | 83.12 | 80.64 |
| Less: Interest Expense | 383 | 230 | 376 | 457 |
| Add: Exceptional items | (61) | - | - | - |
| Profit Before Tax | 3 | 348 | 376 | 645 |
| Less: Provision for Tax | (20) | 118 | 128 | 219 |
| Less: Minority Interest | 37 | 9 | 15 | 100 |
| Reported Profit | (15) | 222 | 233 | 326 |
| Exceptional Items | (79) | - | - | - |
| Adjusted Profit | 65 | 222 | 233 | 326 |
| Shares o /s (mn) | 85 | 85 | 85 | 85 |
| Adjusted Basic EPS | 0.8 | 2.6 | 2.7 | 3.8 |
| Diluted shares o/s (mn) | 85 | 85 | 85 | 85 |
| Adjusted Diluted EPS | 0.8 | 2.6 | 2.7 | 3.8 |
| Adjusted Cash EPS | 5.9 | 9.3 | 10.2 | 12.0 |

Common size metrics

| Year to March | FY16 | FY17 | FY18E | FY19E |
|--------------------|------|------|-------|-------|
| Operating expenses | 85.5 | 85.0 | 85.8 | 84.4 |
| Materials costs | 25.7 | 24.4 | 25.3 | 25.0 |
| Staff costs | 17.2 | 17.4 | 16.3 | 16.2 |
| Other expenses | 42.6 | 43.2 | 44.2 | 43.1 |
| Depreciation | 7.5 | 8.1 | 6.9 | 6.3 |
| Interest Expense | 6.6 | 3.3 | 4.1 | 4.2 |
| EBITDA margins | 14.5 | 15.0 | 14.2 | 15.6 |
| Net Profit margins | 1.7 | 3.3 | 2.7 | 3.9 |

Growth ratios (%)

| Year to March | FY16 | FY17 | FY18E | FY19E |
|-----------------|--------|----------|-------|-------|
| Revenues | 12.1 | 19.8 | 30.6 | 20.2 |
| EBITDA | 11.2 | 23.9 | 23.8 | 31.9 |
| PBT | (88.1) | 11,910.3 | 8.0 | 71.4 |
| Adjusted Profit | 4.7 | 241.6 | 5.2 | 39.6 |
| EPS | (13.9) | 241.6 | 5.2 | 39.6 |

| Balance sheet | | (INR mn) | | | |
|--------------------------|--------------|--------------|---------------|---------------|--|
| As on 31st March | FY16 | FY17 | FY18E | FY19E | |
| Share capital | 851 | 857 | 857 | 857 | |
| Reserves & Surplus | 3,408 | 3,469 | 3,702 | 4,028 | |
| Shareholders' funds | 4,259 | 4,326 | 4,559 | 4,885 | |
| Minority Interest | 327 | 575 | 590 | 690 | |
| Total Borrowings | 2,904 | 3,283 | 5,083 | 5,083 | |
| Long Term Liabilities | 1,090 | 1,204 | 1,221 | 1,220 | |
| Def. Tax Liability (net) | (149) | (146) | (146) | (146) | |
| Sources of funds | 8,431 | 9,242 | 11,307 | 11,731 | |
| Depreciation | 441 | 568 | 630 | 693 | |
| Net Block | 5,254 | 6,251 | 7,621 | 7,927 | |
| Goodwill | 609 | 609 | 609 | 609 | |
| Intangible Assets | 27 | 63 | 63 | 63 | |
| CWIP (incl. intangible) | 1,219 | 1,406 | 1,406 | 1,406 | |
| Total Fixed Assets | 6,500 | 7,720 | 9,090 | 9,397 | |
| Non current investments | 36 | 40 | 40 | 40 | |
| Other non current assets | 937 | 1,284 | 1,615 | 1,871 | |
| Cash and Equivalents | 1,212 | 953 | 830 | 627 | |
| Inventories | 134 | 188 | 247 | 269 | |
| Sundry Debtors | 695 | 1,032 | 1,223 | 1,489 | |
| Other Current Assets | 235 | 269 | 389 | 402 | |
| Current Assets (ex cash) | 1,064 | 1,489 | 1,858 | 2,161 | |
| Trade payable | 1,086 | 1,412 | 1,502 | 1,580 | |
| Other Current Liab | 802 | 1,391 | 1,168 | 1,319 | |
| Short term provisions | 38 | 49 | 65 | 73 | |
| Total Current Liab | 1,927 | 2,853 | 2,734 | 2,972 | |
| Net Curr Assets-ex cash | (863) | (1,363) | (876) | (811) | |
| Uses of funds | 8,431 | 9,242 | 11,307 | 11,731 | |
| BVPS (INR) | 50.1 | 50.8 | 53.6 | 57.4 | |

| Free cash flow | | (INR mn) | | | |
|-----------------------|----------------|--------------|----------------|--------------|--|
| Year to March | FY16 | FY17 | FY18E | FY19E | |
| Reported Profit | (15) | 222 | 233 | 326 | |
| Add: Depreciation | 441 | 568 | 630 | 693 | |
| Interest (Net of Tax) | 2,974 | 152 | 248 | 302 | |
| Others | (2,782) | 849 | (1,223) | (432) | |
| Less: Changes in WC | (72) | 500 | (487) | (65) | |
| Operating cash flow | 690 | 1,291 | 376 | 954 | |
| Less: Capex | 2,133 | 1,789 | 2,000 | 1,000 | |
| Free Cash Flow | (4,417) | (651) | (1,872) | (348) | |

Peer comparison valuation

| Name | Market cap (USD mn) | Diluted P/E (X) | | EV / EBITDA (X) | | ROAE (%) | |
|---------------------------------------|------------------------|-----------------|-------|-----------------|-------|----------|-------|
| | | FY18E | FY19E | FY18E | FY19E | FY18E | FY19E |
| HealthCare Global Enterprises Limited | 338 | 92.3 | 66.1 | 18.1 | 13.7 | 4.9 | 7.9 |
| Apollo Hospitals Enterprise | 2,625 | 37.5 | 27.1 | 20.1 | 16.3 | 11.1 | 14.1 |
| Dr. Lal Pathlabs Ltd | 1,151 | 44.3 | 34.2 | 27.1 | 21.6 | 23.1 | 24.6 |
| FORTIS HEALTHCARE LTD | 1,558 | 187.3 | 62.8 | 18.1 | 15.1 | 1.9 | 4.4 |
| Max India Limited | 607 | 276.3 | 96.5 | 21.3 | 17.5 | 2.8 | 7.7 |
| Thyrocare Technologies Ltd | 574 | 41.1 | 32.3 | 24.1 | 18.7 | 23.0 | 25.7 |

Source: Edelweiss research

| Cash flow metrics | | FY16 | FY17 | FY18E | FY19E |
|---------------------|---------|---------|---------|---------|-------|
| Year to March | | | | | |
| Operating cash flow | 690 | 1,291 | 376 | 954 | |
| Investing cash flow | (2,022) | (2,021) | (2,314) | (1,257) | |
| Financing cash flow | 1,899 | 472 | 1,815 | 100 | |
| Net cash Flow | 567 | (259) | (123) | (203) | |
| Capex | (2,133) | (1,789) | (2,000) | (1,000) | |

Profitability and efficiency ratios

| Year to March | FY16 | FY17 | FY18E | FY19E |
|-------------------------|-------|-------|-------|-------|
| ROAE (%) | 2.7 | 4.9 | 4.9 | 7.9 |
| ROACE (%) | 6.3 | 6.9 | 7.7 | 10.0 |
| Inventory Days | 34 | 34 | 34 | 34 |
| Debtors Days | 42 | 46 | 45 | 45 |
| Payable Days | 233 | 267 | 230 | 205 |
| Cash Conversion Cycle | (157) | (187) | (150) | (125) |
| Current Ratio | 1.2 | 0.9 | 1.0 | 0.9 |
| Gross Debt/EBITDA | 3.4 | 3.1 | 3.9 | 3.0 |
| Gross Debt/Equity | 0.6 | 0.7 | 1.0 | 0.9 |
| Adjusted Debt/Equity | 0.6 | 0.7 | 1.0 | 0.9 |
| Net Debt/Equity | 0.4 | 0.5 | 0.8 | 0.8 |
| Interest Coverage Ratio | 1.1 | 2.1 | 1.8 | 2.2 |

Operating ratios

| Year to March | FY16 | FY17 | FY18E | FY19E |
|----------------------|------|------|-------|-------|
| Total Asset Turnover | 0.8 | 0.8 | 0.9 | 0.9 |
| Fixed Asset Turnover | 1.2 | 1.2 | 1.3 | 1.4 |
| Equity Turnover | 1.5 | 1.5 | 1.8 | 2.0 |

Valuation parameters

| Year to March | FY16 | FY17 | FY18E | FY19E |
|-------------------------|--------|-------|-------|-------|
| Adj. Diluted EPS (INR) | 0.8 | 2.6 | 2.7 | 3.8 |
| Y-o-Y growth (%) | (13.9) | 241.6 | 5.2 | 39.6 |
| Adjusted Cash EPS (INR) | 5.9 | 9.3 | 10.2 | 12.0 |
| Diluted P/E (x) | 331.6 | 97.1 | 92.2 | 66.0 |
| P/B (x) | 5.1 | 5.0 | 4.7 | 4.4 |
| EV / Sales (x) | 4.1 | 3.5 | 2.9 | 2.5 |
| EV / EBITDA (x) | 27.8 | 22.4 | 18.1 | 13.7 |

Additional Data

Directors Data

| | | | |
|-------------------------|------------------------------------|---------------------------|------------------------------------|
| Dr. B.S. Ajai Kumar | Chairman & CEO | Gangadhara Ganapati | Non- Executive Director |
| Prakash Parthasarathy | Non- Executive Director | Dr. Jennifer Gek Choo Lee | Non- Executive Director |
| Rajesh Singhal | Non- Executive Director | Dr. Sudhakar Rao | Non-Executive Independent Director |
| Shanker Annaswamy | Non-Executive Independent Director | Sampath Thattai Ramesh | Non-Executive Independent Director |
| Suresh Chandra Senapaty | Non-Executive Independent Director | Bhushani Kumar | Non-Executive Independent Director |

Auditors - Deloitte, Haskins and Sells

**as per last annual report*

Holding – Top10

| | Perc. Holding | | Perc. Holding |
|-------------------------|---------------|----------------------------|---------------|
| Templeton Asset Mgmt | 6.76 | Reliance Life Insurance Co | 1.66 |
| Sundaram Asset Mgmt Co | 6.42 | Reliance NPPN Life Ins Ltd | 1.62 |
| Reliance Life Insurance | 5.18 | Edelweiss Commodities Ltd | 1.35 |
| HDFC Life Insurance | 3.08 | Kotak Mahindra | 1.05 |
| IL&FS Trust Co | 1.71 | Nordea Bank | 0.45 |

**in last one year*

Bulk Deals

| Data | Acquired / Seller | B/S | Qty Traded | Price |
|-------------|--|------|------------|--------|
| 26 Apr 2017 | Prazim Trading & Investment Company Pvt Ltd | Sell | 2403975 | 275.01 |
| 26 Apr 2017 | The Scottish Oriental Smaller Companies Trust Plc Sosc | Buy | 1077493 | 274.87 |
| 26 Apr 2017 | First State Invst (Hk) Ltd A/C First State Indian Subcontinent | Buy | 966691 | 274.87 |
| 20 Mar 2017 | Pi Opportunities Fund 1 Lt | Sell | 6654723 | 235.75 |
| 20 Mar 2017 | Prazim Trading & Investment Company Pvt Ltd | Buy | 6654723 | 235.75 |
| 15 Feb 2017 | Franklin Templeton Mf | Buy | 1800000 | 244.00 |
| 15 Feb 2017 | Pi Opportunities Fund 1 Lt | Sell | 3113677 | 244.00 |
| 22 Aug 2016 | Milestone Pvt Equity Fund | Sell | 2650000 | 210.01 |
| 22 Aug 2016 | Reliance Mutual Fund | Buy | 2557005 | 210.00 |

**in last one year*

Insider Trades

| Reporting Data | Acquired / Seller | B/S | Qty Traded |
|----------------|-------------------|------|------------|
| 03 Apr 2017 | Dr. Ganesh Nayak | Sell | 38500.00 |

**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 |

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: research@edelweissfin.com

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

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 |
|-----------|----------------------------|--|-------------|-------|
| 24-May-17 | Lupin | Earnings sink as Glumetza/ Fortamet continue to vanish; <i>Result Update</i> | 1,228 | Hold |
| 16-May-17 | Apollo Hospitals | Navi Mumbai facility ramping up well; <i>Visit Note</i> | 1,300 | Buy |
| 12-May-17 | Dr Reddy's Laboratories | Earnings continue to linger in weak terrain; <i>Result Update</i> | 2,581 | Hold |

Distribution of Ratings / Market Cap

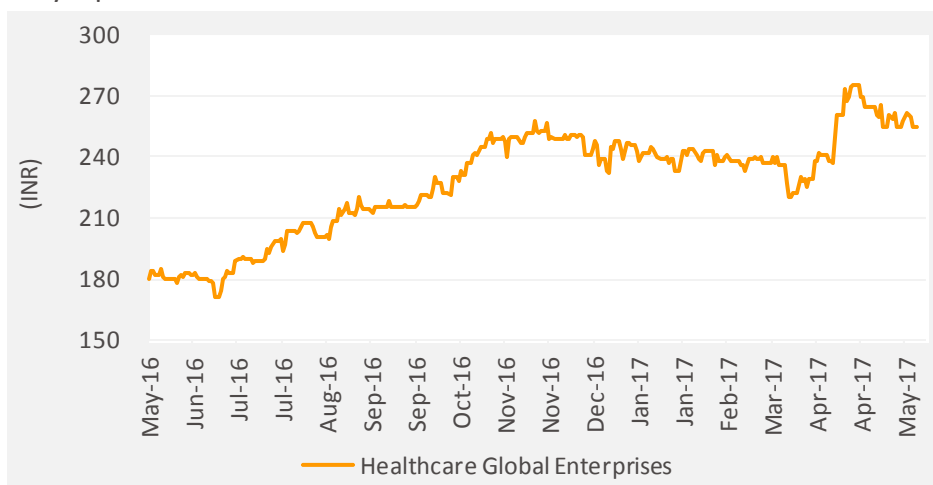
Edelweiss Research Coverage Universe

| | 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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