January 06, 2021 INTIATING COVERAGE

Fortis Healthcare Ltd

Sensex: 532843 **CMP: INR 162** **Target Price: INR 200**

THE FINANCIAL ADVISORS

Healthcare

Fortis Healthcare Limited, an IHH Healthcare Group Company, is the leading healthcare organisation in the country with 36 healthcarefacilities, 3,700 operational beds and over 400 diagnostics centres. Hospital business is well positioned to return to profitability with strong industry tail. Hospital capacity expansion of 1300 beds spread over next five years with healthy utilization will post revenue growth of 6.5% in FY20-23 and EBITDA margin expansion to 16%. Diagnostic business is ripe for strong decadal growth as spend on preventive tests increases, organized players gaining market share. SRL offers a comprehensive range of investigations in pathology and imaging over 3,700 diagnostic tests, expected to grow revenue by 8% in FY22/23 along with 120bips margin expansion by FY23. We initiate Fortis Healthcare with a BUY recommendation and a target price of INR 200, valuing hospital business at 17x of FY23 EV/EBITDA and diagnostic business at 35x of FY23 EV/EBITDA.

Hospital business well positioned to return to profitability

Healthcare spend has strong tailwind to grow at 14-15% annually due to increase in spending power and rising lifestyles related diseases. India availability of doctor/bedis significantly lower to WHO benchmark. India healthcare spend at 3.6% of GDP way behind OECD developed and emerging economies. Fortis hospital business demonstrates operationally efficiency, with industry leading ALOS, ARPOB and capacity utilization. Gradual capacity expansion of 1300beds spread over next five years with healthy utilization will post revenue growth of 6.5% in FY20-23, despite sluggishness in FY21. Consolidation and optimizing cost helped to clock 12% EBITDA margin in FY20, further improvement in performance will help margin expansion to 16% by FY23, generating EBITDA of INR 7,267mn.

Diagnostic business growth supported by strong industry tailwind

Diagnostic business is ripe for strong decadal growth as spend on preventive tests increases, organized players gain market share. Diagnostics accounts for ~5% of the total health system cost, but it influences 95% of the remaining costs.70% of the medical decision on treatment as based on lab based results, ensuring sustainable growth for diagnostic industry. SRL has 4 reference labs in Delhi, Mumbai, Bangalore and Calcutta, offering a comprehensive range of investigations in pathology and imaging over 3,700 diagnostic tests. Diagnostic business is expected to return to growth trajectory post Covid induced slowdown in FY21. We expect revenue growth of 8% in FY22/23 along with 120bips margin expansion, generating EBITDA of INR 2257mn in FY23.

Fortis transformational journey beginning to show benefit

IHH drew plan for investment, capex and review of Fortis' entire portfolio. Management is investing in high-performing units, transforming and scaling up high potential hospital locations. Turnaround plan started to reflect improvement in hospital business, revenue grew 6.4% to INR 37,520mn, and EBITDA margins have expanded to 12.7% in FY20, leading to profitability in hospital business after a long time. Board has given in-principal approval to rebrand the hospital business as Parkway and seeking SRL Diagnostics business a neutral name.

Valuation and Outlook

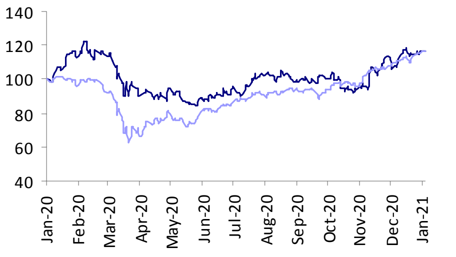
We have valued hospital business at 17x of FY23 EV/EBITDA (Valued INR 149/share), relatively lower than trading multiple of large hospital chains in India, factoring in assets heavy nature of business and lower return ratios. Diagnostic business is valued at 35x FY23 EV/EBITDA (valued INR 48/share), is an asset light business with opportunity to market share gain and rising spending from customers. We have also considered 20% holdco discount in SRL, keeping in view of separate minority interest at the operating entity. We initiate Fortis Healthcare with a BUY recommendation and a target price of 200.

Key Risks

Key Risks include government interfering with price charged by private hospital on crictical medical treatment. Earlier, government has asked hospitals to lower prices for stent and knee transplant. Any untoward outcome from Supreme Court on IHH investment in Fortis and continued delay in executing the open offer from IHH poses key risks to our recommendation.

Shareholding (%)	Sep-20
Promoters	31.17
FIIS	41.04
DII	10.1
Others	17.69

Relative Price Performance



Key Data	
BSE Code	532843
NSE Symbol	FORTIS
Bloomberg Code	FORH:IN
Reuters Code	FOHE.NS
Shares Outstanding (mn)	755
Face Value	10.0
Mcap (INR bn)	122
52 Week H/L	169/113
30day Avg. Vol, NSE	3.15mn

(INR mn)	FY20	FY21E	FY22E	FY23E
Revenue	46,310	40,680	50,434	55,450
EBITDA	6,372	4,366	7,804	9,524
EBITDA margin (%)	14%	11%	15%	17%
EBITDA growth (%)	108%	-31%	79%	22%
EBIT	3,455	601	4,028	5,664
PAT	514	-444	2,116	3,453
Attributable PAT	178	-948	1,544	2,821
EPS (INR)	0.24	-1.25	2.04	3.74
P/E (x)	656	-124	76	41
EV/EBITDA	19.7	28.8	16.1	13.2
BVPS (INR)	88.2	86.9	89.0	92.7
P/B (x)	1.76	1.78	1.74	1.67
RoCE (%)	4%	1%	5%	7%

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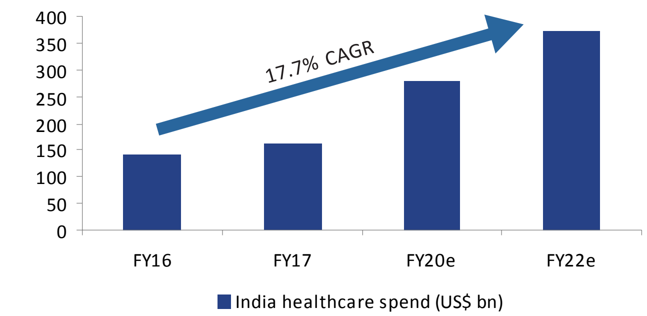
Investment Positives

Hospital business well positioned to return to profitability

Healthcare is one of India's largest sectors in terms of revenue and employment. In healthcare sector, private and public institutions together serve well in the country, bringing quality healthcare and reaching masses. Hospitals in India has long runway to growth with lower number of doctors/bed relative to total population, healthcare spend as percentage of GDP to the global averages. Bringing quality healthcare enhances quality of living and economic prosperity of the country. Rising income level, greater health awareness, lifestyle diseases and increasing access to insurance will contribute to growth in healthcare spend in India. Industry is expected to grow by 14-15% to US$ 372bn in FY20-22.

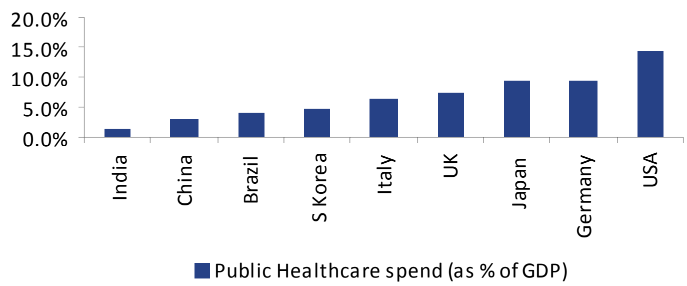


Source: IBEF

India's competitive advantage lies in its large pool of well-trained medical professionals, besides being cost competitive compared to its peers in Asia and Western countries. The cost of surgery in India is significantly lower than US or Western Europe.Indiahas one doctor for every 1,457 people in 2019, which is way lower than the WHO norm of one doctor for every 1,000 people. There has been consistent increase in doctors in India, which is well supported by increase in medical colleges.

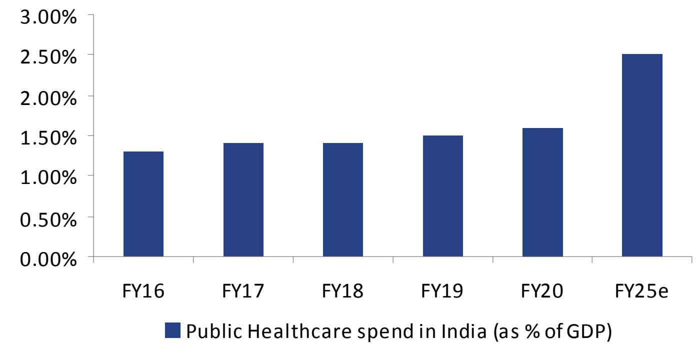
Healthcare spend in India

India's total healthcare spending (private and public) at 3.6% of GDP is way lower than OECD countries. The average for OECD countries in 2018 was 8.8% of GDP, while Indian spend is even lower than BRICS nations (China 5.0%, Russia 5.3%, South Africa 8.1% and Brazil 9.2%). India spend on healthcare is evenly distributed between public and private spend while other OECD countries majority spend is been done by public spend.



Source: OECD, Ministry of finance

India's public healthcare spend has traditionally been low, started with low single digit of planned expenditure which has gradually grown to 6.5% in the latest five year plan. IMF and other international bodies have regularly outlined need to invest in education and healthcare to build human capital in the country. The overall budgetary expenditure by Centre and states in FY20 budget estimates stood at Rs 100bn, which translates to 1.6% of GDP.



Source: Ministry of finance

Medical tourism in India

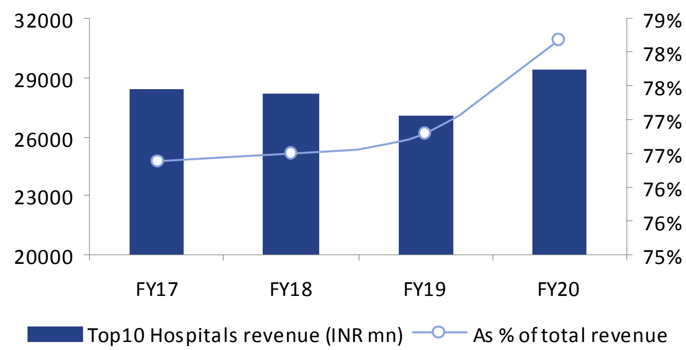
India offers affordable healthcare treatment to many developing countries encouraging inbound medical tourism. Treatment for major surgeries in India costs approximately 1/5thof developed countries. India attracts medical tourists from developing countries due to better available infrastructure and medical staffs. All these factors have enhanced prospects for the Indian healthcare market and inflow of foreign patient in India. Indian medical tourism market is growing at the rate of 18% YoY will be US$9 bninFY20.

Fortis is a dominant franchise amongprivate hospital chains in India

Fortis is India's leading integrated healthcare service provider having pan India presence of 36 healthcare facilities, ~3,700 operational beds,415 diagnostics centres and 10,000+ trained healthcare professionals. 18 of the hospitals are NABH accredited while 4 of them are also JCI accredited. Fortis provides full spectrum of integrated healthcare services from clinics to hospitals to quaternary care and a wide range of ancillary services.IHH being world leading hospital chain becoming promoter of Fortis health, will bring their vast experience in India in running the Fortis Healthcare delivering better healthcare service and creating value for all stakeholders.

Smart revenue turnaround in FY20

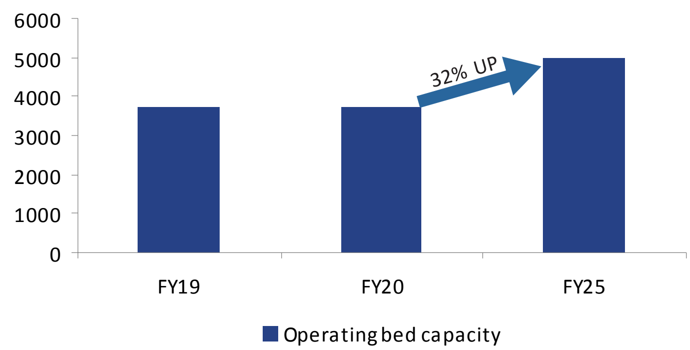
Fortis has reported sluggish revenue growth in FY18 and FY19, as the company was saddled with governance issues at promoter level. After IHH took controlling stake in the company, management focus shifted on controlling cost and bringing operational efficiency. FY20 has been year of transformation for hospital business, with highest ever performance from Top10 hospitals in the group. Consolidation efforts resulted in increasing business from top revenue generating hospitals within the group. Hospital business reported 6% growth in revenue with top10 hospitals contributing 78% of the overall hospital revenue, highest ever in last few years. Higher contribution of top performing hospitals bodes well for higher EBITDA margin for the overall hospital business.



Source: Fortis Healthcare, SPA research

Fortis plan to add beds gradually

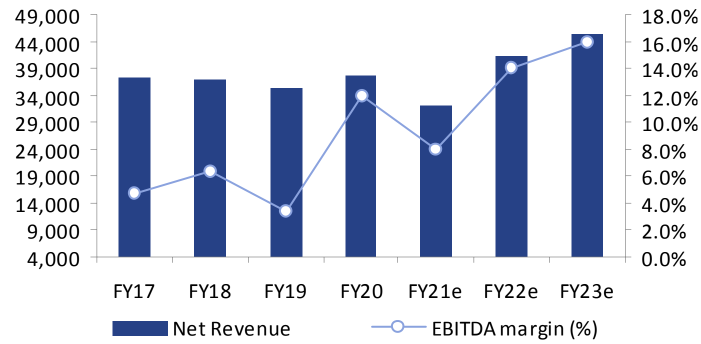
Expansion plan is underway in select facilities such as Shalimar Bagh, Noida, Mulund and Anandapur. In FY20, company has spent INR~2,800 mn on refurbishment, medical technologies and equipment upgrade and expansion. The BG Road oncology and Noida block was commissioned in FY20. Latest, Chennai facility was commissioned in October 2020. Fortis plans to add~1,300 beds over the next five years. With current expansion underway, it is expected that overall bed capacity will go to 5,000beds by FY25, translating to more than 30% increase in capacity. This capacity expansion will include additional beds in existing facilities to leverage economies of scale - majority of bed additions are planned in Noida, BG Road, Shalimar Bagh, FMRI, Mohali and Arcot Road.



Source: Fortis Healthcare

Fortis gradual improvement in Revenue and EBITDA

Besides increasing capacity, Fortis is also evaluating to calibrate portfolio bringing sharper focus on profitability. Management is investing further in high-performing units, transforming and scaling up high potential hospital locations. Company is focusing on deepening its presence in Delhi NCR, Mumbai, Bengaluru and Kolkata as a cluster-based approach. Consolidation and optimizing cost helped to clock 12% EBITDA margin in FY20, further improvement in performance will help margin expansion to 16% by FY23.

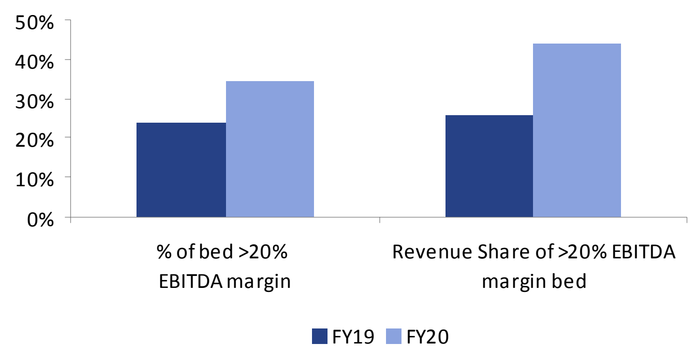


Source: Fortis Healthcare, SPA research

Rising share of matured hospitals

Hospitals are like any other retail consumer facing business where matured branches lead to higher margin and ROCE while newly opened hospitals will be drag on occupancy and margin. Currently, 34% of the bed generate over 20% EBITDA margin, these beds contribute ~44% revenue of the hospital business. In the next 4-5 years, management has guided for expansion of operational bed by 1300. These new beds will operate at less than 10% EBITDA margin in the first few years of operations. Over 20% of the beds, which are currently operating at 10 - 20% margin, will gradually matured and scale to 20% margin. We expect overall EBITDA margin in hospital division will improve to 16% by FY23.

Beds operating at 20%+ EBITDA margin

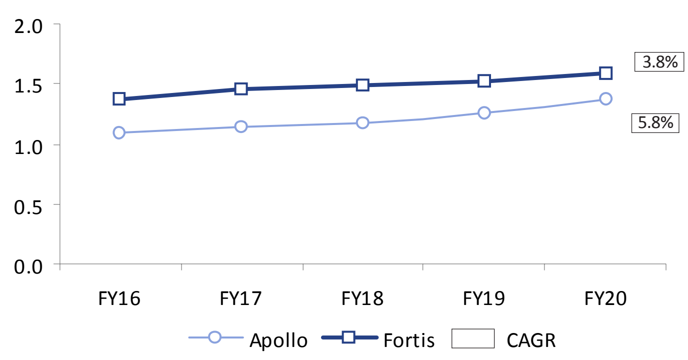


Source: Fortis Healthcare

Comparison of Fortis and Apollo

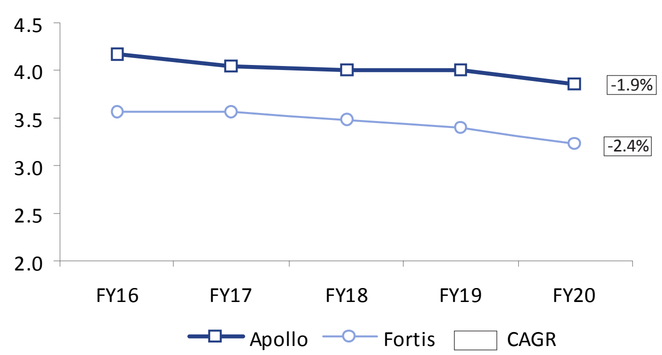
Fortis healthcare and Apollo hospitals are the two major listed hospital chains in India, comparable in terms of size, wide reach and healthcare services offered. Apollo is 2x of Fortis in terms of operational beds and revenue, we compared key operational matrices to gauge operational efficiency i.e. Average Revenue per Occupied bed(ARPOB), Average length of stay (ALOS) and capacity utilization. Both hospitals have witnessed improvement in ARPOB and ALOS. Lower ALOS reflects improving treatment cycle and patient getting discharged quickly from hospitals.

ARPOB of Apollo vs Fortis (INR cr per bed)



Source: Company reports

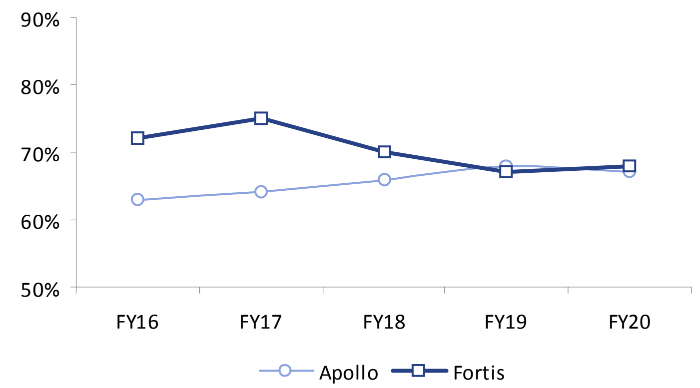
Fortis generates higher ARPOB compared to Apollo, however the growth has been lower at 3.8% since FY16 vs 5.8% in Apollo. In case of ALOS, both have reported falling ALOS sequentially, however fall in Fortis has been greater than Apollo. Fortis ALOS fell by 2.4% annually since FY16, compared to 1.9% in Apollo.



Source: Company report, SPA research

Fortis started with higher occupancy while the Apollo has been consistent in improvement in last few years. Fortis has lost few years when business was affected due to change in promoter and governance issue with the old promoter. Now, the business is back to normalcy, we believe it will start reporting normal occupancy of 70% by FY23 and translating to better revenue and EBITDA margin.

Capacity Utilization at Apollo vs Fortis



Source: Company report, SPA research

Important to note despite, comparable ALOS, ARPOB and capacity utilization, there was stark difference in EBITDA margin of the two hospital chain historically. This gap Fortis new management is determined to fill, though operational efficiency and optimum cost management. The business started to report improvement in performance when Covid stuck bringing halt to entire operations in April and May 2020.

Diagnostic business strong growth supported by strong industry tailwind

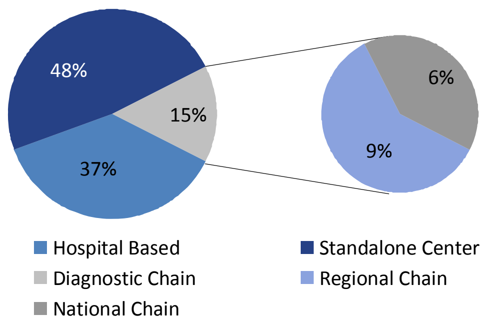
Indian diagnostics industry, estimated at USD 6.0bn is growing at 13-14% annually with more than 1 lakh labs in India. Industry offerings have matured with over 4,500 tests done in India, majority of medical test done globally are now offered in India. Diagnostic business growth is mostly driven by volume as price increase is not commensurate to inflation. This also increases test affordability to the masses. Indian industry operates at one of the lowest price points in the world.

Dynamics favoring Diagnostic within healthcare ecosystem:

- diagnostics industry accounts for ~5% of the totalhealth system cost, but it influences95% of the remaining costs
- 70% of the medical decision on treatment as based on lab based results

Larger laboratories in India have developed strong connect with the customers and successfully opened collection centers and reference labs in remote areas, conducting test quickly without any contamination. As the industry is very fragmented with near 50% is serviced by standalone centers and regional diagnostic chain, we believe larger established diagnostic business will enjoy higher growth in future.

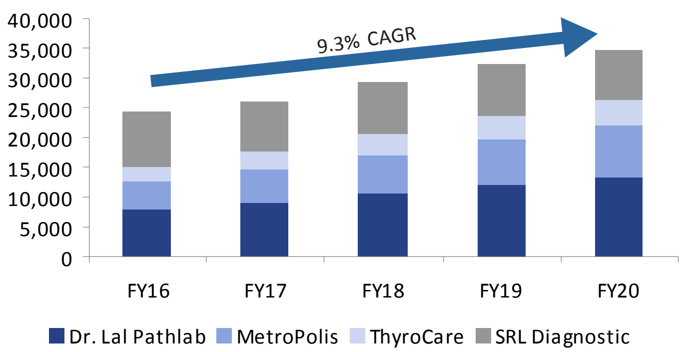
Diagnostic industry revenue split



Source: HealthCare Federation of India

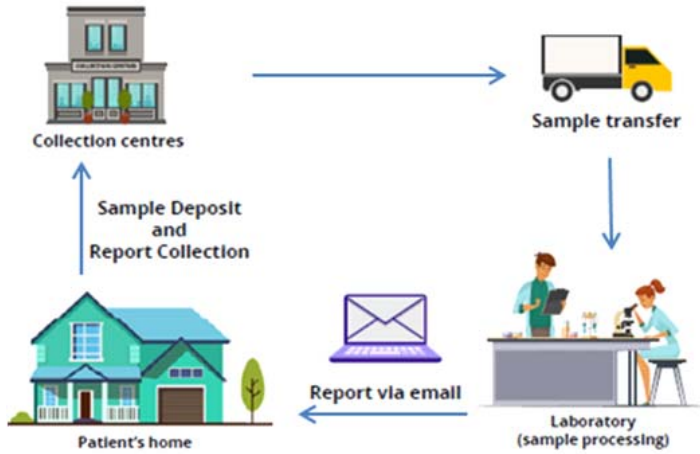
As Industry is growing with 13-14%, larger Diagnostic chain are growing faster than industry, indicating industry shifting towards specialized diagnostic chain. These large diagnostic chains have been instrumental in transforming the industry, shaping the new delivery models while focusing on quality and patient centricity. These diagnostic chains are well funded to invest in latest technology and bring tests which are available to patient abroad to India. Among the major chain, SRL diagnostic, have grown slower than the industry and peers, we believe that company will revert to stable growth from FY22 onwards.

Diagnostic Chain revenue (INR mn)

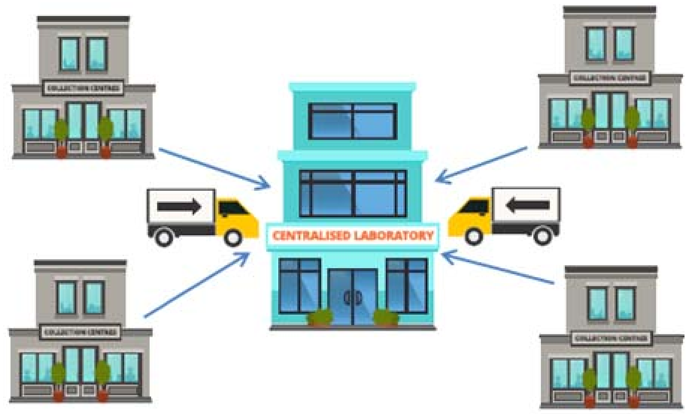


Source: Company reports, SPA research

Diagnostic Chains are becoming logistically very efficient. Industry has transformed itself into a service industry with logistics (transporting of samples from collection centre to Lab) and retail (collection centre or collection of samples from customer home). Combined retail and logistics form 50% of the cost of the laboratory chain. Remaining 50% will be the cost of actual test done to determine the diagnosis.

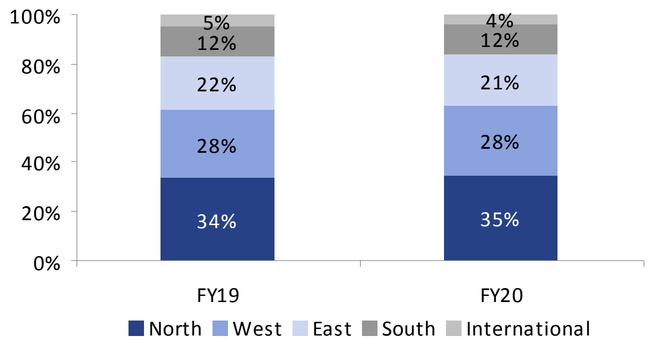


Hub and Spoke model of diagnostic chain makes it assets light and easily scalable business.



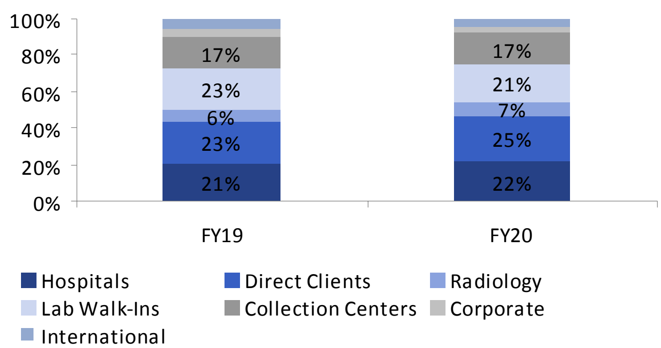
SRL elaborate pan India diagnostic network

SRL has 4 reference labs in Delhi, Mumbai, Bangalore and Calcutta covering four region of India. These reference labs are further complemented by 400+ network laboratories. Company associate with 1,400+ collection centers across 29states, 7union territories and 8,200+ pick up points for daily collection of samples. SRL offers a comprehensive range of investigations in pathology and imaging with over 3,700 types of diagnostic tests. SRL customer base is wide across country diversifying business from any kind of regional risk, with south contribution slightly less compared to other regions. SRL even attract 4-5% business from international patient.



Source: Company report

SRL sources customers from hospitals, direct clients, laboratories walkins and collection centers. We believe in the current situation of Covid where the mobility is restricted and people avoid visiting hospitals and medical centers, samples will be increasingly collected at patient home. Company should invest further in infrastructure to collect samples at patient homes rather than collection centers. Organized players are well equipped to invest in the infrastructure and gain from the shift.



Source: Company report

SRL has identified four value levers, which if pulled well may help the company to scale higher EBITDA margin in diagnostic business:

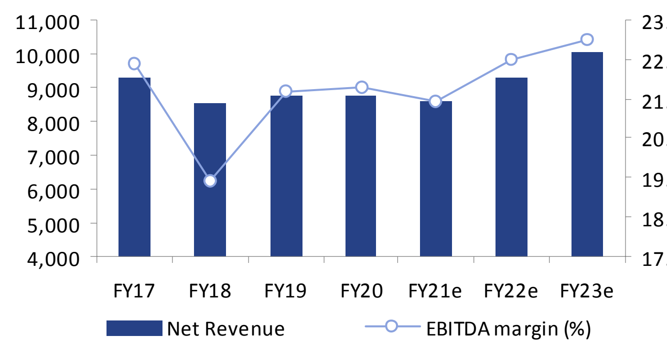
- Improve B2C salience: better connect with customers
- Integrated product offerings
- Strengthen doctor connect
- Cost optimization

Stage set for strong growth

SRL conducted ~30mn tests on~13mn patients in FY20. It was engaged with over 8000 doctors, expanding its retail footprint was key focus of the year. Company is enhancing its operational efficiencies, implementing some new-age technologies and tests. SRL integrated AI and data analytics to help improve testing. SRL completed the development of an AI algorithm in partnership with Microsoft for advanced test and scanning. Company rolled out campaigns#DoctorKnowsBest emphasizing to consider doctor recommendation on any dilemma when selecting a diagnostic lab. All these work has started to show green shoots in the performance of SRL, where growth became visible in Jan-Feb 2020, post which market was impacted due to Covid.

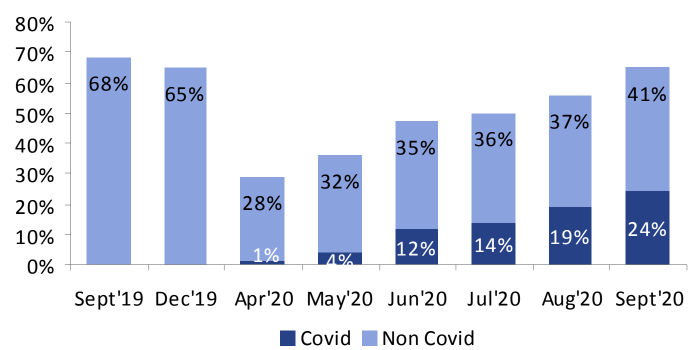
Though we assume, FY21 performance will remain subdued. Growth will return from FY22. We forecasts 3yr CAGR of 4.5% in FY20-23 along with 120bips margin expansion. As the Covid cases subside and potential vaccine in the anvil, we believe FY22/23 will see lower contribution from Covid related tests and normal diagnostic business will lead in growth.

SRL Revenue and EBITDA margin forecast



Source: Company report, SPA research

Impact of Covid: Though Covid resulted into patient avoiding going to hospitals/clinics for tests in Q1'FY21, business has started coming back to normalcy. SRL has conducted ~5.9 Mn tests during Q2'FY21 a decline of 29% YoY, however average revenue per test has increased 44% driven by COVID RT PCR tests, hence overall increase of 2% in the revenue. Covid has contributed 28% of the revenue in Q2'FY21. As lockdown restrictions were further eased, business is returning to normalcy and people are coming back to hospitals/clinics for their routine check-up.



Source: Company reports

Valuation

We value hospital business at 17x for FY23 EV/EBITDA. Hospitals in India are valued >20x fwd EV/EBITDA. We took conservative multiple as hospital business is asset heavy, will operate at low RoCE. Large hospital chain will gain market share from other smaller establishment. As the purchasing power rises in the country, hospital business will generate higher revenue. Improving infrastructure and further improving visibility of Indian healthcare will bring medical tourist as well.

Hospital business

FY23 EBITDA	7,267
EV/EBITDA (x)	17.0
EV	1,23,539
Net debt	11,000
No. of Shares (No. of shares mn)	755
Per Share Value	149

Diagnostic is assets light highly scalable business with high ROCE. As the logistics and sample collection business can be outsourced, laboratories can focus their energy on cost optimization, bringing right bouquet to test for patient, making connect with doctor and investing on reference lab for better test results. Listed players are trading near 40-50x trailing EV/EBITDA, we value SRL on 35x FY23 EBITDA, keeping in mind slow in the past few years. Fortis own 56.9% stake in SRL, hence we also kept 20% holdco discount due to separate minority interest at the operating level.

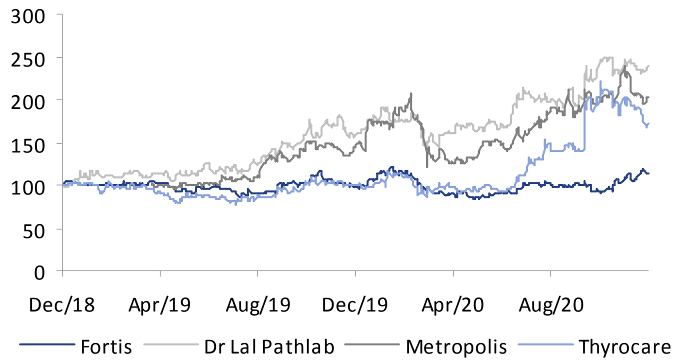
SRL Valuation

FY23 EBITDA	2,257
EV/EBITDA (x)	35.0
EV	78,994
Fortis Stake	56.90%
Fortis Stake EV	44,948
Hold Co. Discount	20%
Fortis Value	35,958

Consolidated valuations

	Fair Value (INR mn)	Target price
Hospital	1,12,539	149
SRL	35,958	48
JV and Associates	2,618	3
Total	1,51,115	200

Fortis performance lagging in the recent month when pharma and diagnostic companies posted strong return after Covid led crisis since March 2020. We believe market was focusing only on resolution on Supreme Court case and open offer from IHH. Fortis share price has gained only 14% in last two years compared to average 100% gain in the related peers. Risk in the pending court case is if Supreme Court directs IHH to reverse investment in Fortis healthcare. We believe Supreme Court will decide in favour of IHH.



Key Risks

Key risks regarding investing in Fortis Healthcare are as follows:

1. **Government regulating prices for critical medical treatment** which private hospital charges from patient. Earlier, government has stepped in to control price for stent and knee implants. There were rumours that government will control prices for most of the medical devices as well. Government inclination to showcase itself as a regulatory agency working towards making affordable medical treatment available to masses poses major risk to the profitability of Fortis.
2. **Lower capacity utilization:** Hospital business is high capital intensive and high EBITDA margin/RoCE can be achieved only through high utilization level. Lower occupancy level in hospital, either due to public delaying treatment/non urgent surgery due to fear of Covid could delay recovery in hospital profitability.
3. **Supreme Court asking to reverse IHH investment in Fortis.** In the entire episode, Fortis is on the hook due to erstwhile promoter Singh brothers. Their pledged stake was sold after SC order in February 2018, relaxing the stay on sale of pledged shares held by financial institutions. Once Singh brothers stake in Fortis came near zero, Fortis began its journey without linkage with Singh brothers and IHH came into picture after rigorous due diligence in July 2018 infusing fund and confidence capital in Fortis. While the IHH investment happened November 2018, the apex court ordered status quo in December 2018, since then the open offer from IHH to buy further 26% in Fortis has been delayed.

We believe Fortis should be left off the hook by the Supreme Court and Fortis will be able to continue business under IHH as independent entity. Next Supreme Court hearing is scheduled for 28th January 2021.

Fortis transformational journey under IHH beginning to show benefit

Jul-18	IHH Healthcare chosen as final bidder
Nov-18	IHH infuses ~4,000cr for 31.17% controlling stake through preferential allotment with Board control
Jan-19	Acquisition of RHT Health Trust portfolio to consolidate balance sheet and save clinical establishment fees of ~270cr
Mar/Apr - 19	Inducts a new management team with the appointment of the MD & CEO and CFO
Jun-19	IHH recognised as new promoter of FHL
FY20	Business momentum improves with uptick in operational performance, stabilizing revenue and margin increase

Source: Company report, SPA research

Business improvement IHH drew plan for investment, capex and review of Fortis' entire portfolio. Turnaround plan started to reflect improvement in hospital business, revenue grew 6.4% to INR 37,520 mn, and EBITDA margins have expanded to 12.7% in FY20, leading to profitability in hospital business after a long time

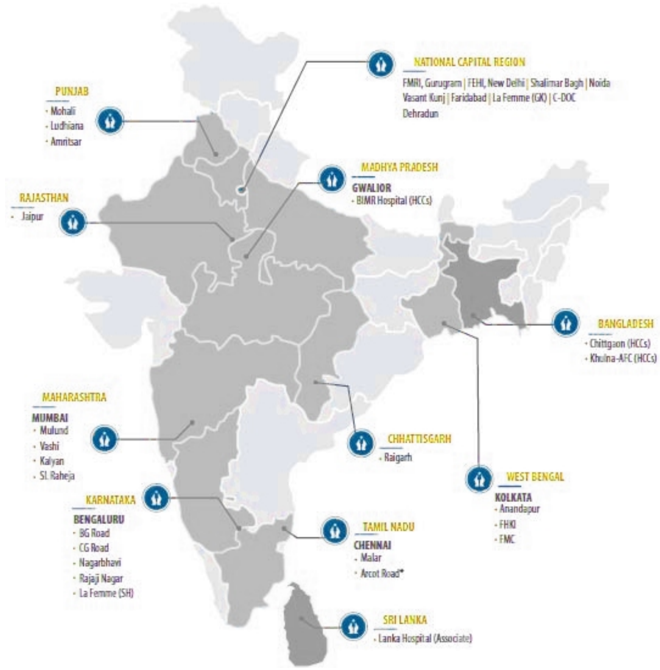
Rebranding exercise Fortis board on August 2020 gave an in-principal approval to its Malaysia-based promoter IHH Healthcare Berhad's proposal to rebrand the hospital business as Parkway, and the SRL Diagnostics business under a neutral name. The move is part of the Fortis management's effort of over two years to distance itself from its erstwhile promoter Singh bros.

Update on open offer IHH Open offer to further purchase 26% stake in Fortis remain on hold following the Supreme Court order of December 2018. Supreme Court has tentatively listed this in its case list for 28th January 2021, we hope early resolution of this in favor of IHH.

Covid-19 slowed business improvement Diagnostic business has performed relatively better vis-à-vis the hospital business, as a lot of non-COVID volumes are compensated by increasing COVID test volumes. Diagnostic business revenue has reached 133% of pre-COVID revenues in October, of which near 1/4th is related to Covid-19. Hospital business in October reached 66%, of which 1/3rd is related to Covid. Hospital business will slowly return to normalcy as the Covid cases came down dramatically in December.

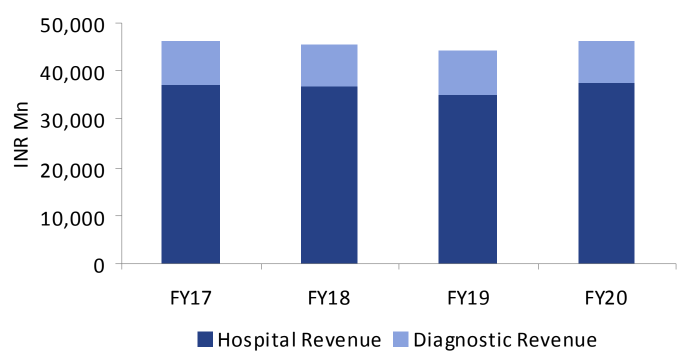
Fortis at a Glance

Fortis Healthcare Limited, an IHH Healthcare Group Company, is a leading integrated healthcare services provider in India. It is one of the largest healthcare organisations in the country with 36 healthcare facilities (including projects under development), 3,700 operational beds and over 400 diagnostics centres (including JVs) and 23,000 employees. Fortis has operations in India, United Arab Emirates (UAE) & Sri Lanka. It draws strength from its partnership with global major and parent company, IHH, to build upon its culture of world-class patient care and superlative clinical excellence. Fortis offers a full spectrum of integrated healthcare services ranging from clinics to quaternary care facilities and a wide range of ancillary services. Healthcare verticals of the Company primarily comprise day care specialty, diagnostics and tertiary and quaternary care.



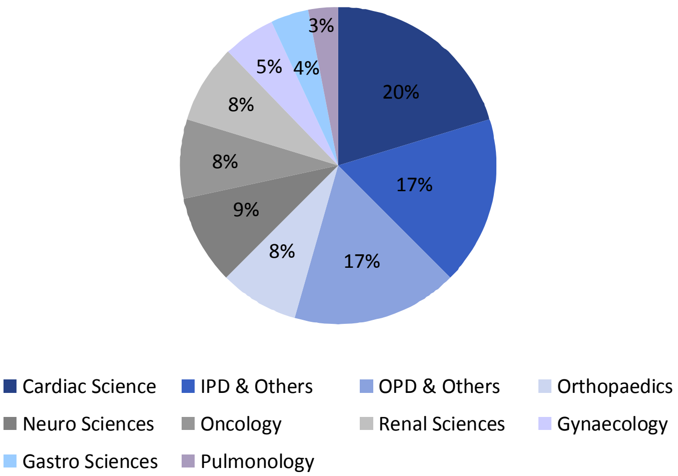
Source: AR FY20

Fortis hospitals offer wide range of treatment and well known in India for best of arts infrastructure and handling complex surgeries in India. Hospitals revenue share stands consistent at ~80% since FY16 while the remaining was contribute by their subsidiary SRL diagnostics. Wide distribution of specialty treatment at hospital will ensure proper diversification of revenue stream of hospital.



Source: Company report

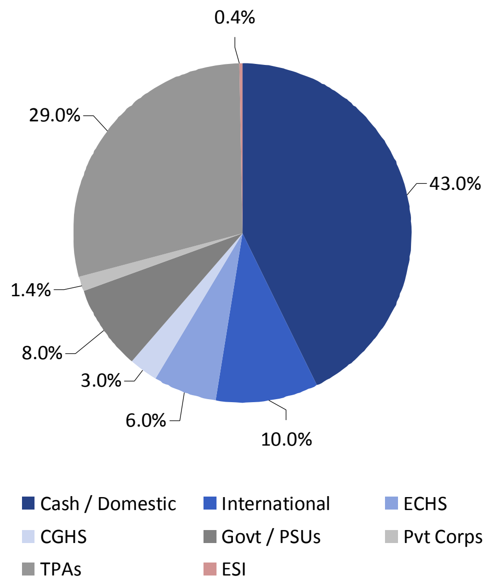
Hospital specialty mix



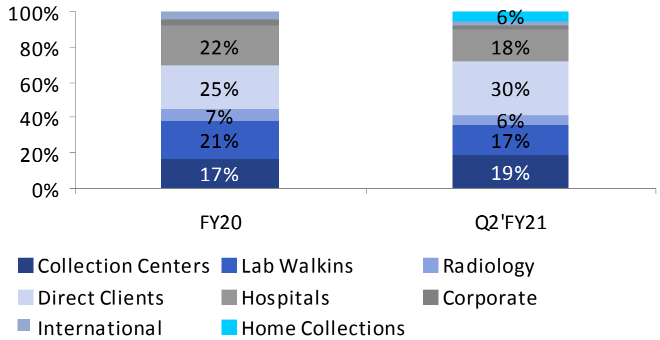
Source: company report

Payor mix

Payor mix is an important metric to track because self-paying patients and private insurance companies compensate hospitals at a higher rate than government programs like Medicare. Government programs often pay hospitals less than the actual cost of patient treatment, causing hospitals to lose revenue. As CGHS (central govt health scheme), ECHS (Ex-servicemen contributory health scheme) and Govt/PSUs contribute ~17% of the overall revenue, we can conclude that most of the revenue comes from unsubsidized customers.



Diagnostic business is witnessing a change in which samples will be collected from patient home in future. Home collection contribution has moved to6% in Q2'FY21 vs nil in FY2020. This development bodes well for diagnostic industry as customers will be ready to pay premium for service to be delivered at their doorstep.



Fortis has strengthened its management team after induction Mr. Ashutosh Raghuvanshi as the CEO of the company effective from March 2019 and Anand K as CEO

of SRL limited in August 2020.

Ashutosh Raghuvanshi previously held the position of Vice Chairman, Group CEO & Managing Director at Narayana Hrudayalaya Ltd. Mr. Raghuvanshi was associated with the Narayana Hrudayalaya group for over 18 years and was the Group CEO since November 2010. He also held position of Principal at Bombay Hospital & Medical Research Centre, Principal at Manipal Health Enterprises Pvt Ltd. and Principal at Apollo Hospitals Enterprise Ltd. He held a graduate degree from the University of Mumbai and a graduate degree from Mahatma Gandhi Institute of Medical Sciences.

Anand K. has over 25 years of experience in the healthcare industry in India and international markets. Prior to joining SRL, he was with Apollo Group, based in Hyderabad, leading the diagnostics business of Apollo Health and Lifestyle. He has been associated with Neuberg Diagnostics, Metropolis and others in the diagnostics sector. Anand is a graduate in Medical Laboratory Technology from JIPMER, Pondicherry and a Postgraduate in Management.

Financials

Income Statement

Y/E (INR mn)	FY20	FY21E	FY22E	FY23E
Operating Revenue	46,310	40,680	50,434	55,450
Operating Expense	39,938	36,313	42,630	45,926
EBITDA	6,372	4,366	7,804	9,524
EBITDA margin (%)	14%	11%	15%	17%
Depreciation & Amortization	2,917	3,765	3,776	3,860
EBIT	3,455	601	4,028	5,664
EBIT margin (%)	7%	1%	8%	10%
Net Interest expense	1,462	1,194	1,200	1,049
PBT	1,993	-593	2,828	4,614
Tax	1,479	-149	712	1,161
PAT	514	-444	2,116	3,453
Attributable PAT	178	-985	1,501	2,774

Balance Sheet

Y/E (INR mn)	FY20	FY21E	FY22E	FY23E
Fixed Assests	39,222	39,315	40,196	41,803
WIP	1,888	1,982	2,082	2,186
Right to use	10,983	11,030	11,275	11,703
Goodwill	37,208	37,208	37,208	37,208
Intangible Assets	760	760	760	760
JV & Associates	1,745	1,745	1,745	1,745
Interest Earning Assets	4,452	4,322	4,345	4,425
Other Non Current Assets	11,123	11,123	11,123	11,123
Inventory	782	715	749	870
Trade Receivables	4,588	4,767	4,993	5,802
Other Current Assets	727	727	727	727
Total Assets	1,13,477	1,13,694	1,15,200	1,18,352
Shareholder Fund	66,611	65,626	67,127	69,900
Minority Interest	5,445	5,987	6,602	7,281
Borrowing	13,166	13,844	12,952	11,639
Lease Liabilities	2,403	2,403	2,403	2,403
Trade Payables	5,976	5,958	6,241	7,252
Other Non current Liabilities	3,968	3,968	3,968	3,968
Other current Liabilities	15,909	15,909	15,909	15,909
Total Liabilities	1,13,478	1,13,695	1,15,201	1,18,353

Key Ratios

Y/E	FY20	FY21E	FY22E	FY23E
EPS	0.24	-1.25	2.04	3.74
DPS	0.0	0.0	0.0	0.0
BVPS	88.2	86.9	89.0	92.7
RoCE	4%	1%	5%	7%
RoE	1%	-1%	3%	4%
Net Debt/Equity	0.12	0.13	0.12	0.09
Net Working Capital Days	-5	-4	-4	-4
P/E(x)	656.3	-123.5	75.8	41.5
P/BV(x)	1.76	1.78	1.74	1.67
EV/EBITDA	19.74	28.80	16.12	13.21

Cash Flow

Y/E	FY20	FY21E	FY22E	FY23E
PAT	514	-444	2,116	3,453
Net Interest Expense	1,462	1,194	1,200	1,049
Depreciation & Amortization	2,917	3,765	3,776	3,860
Change in Working Capital	-1,255	130	-23	-81
CFO	1,715	4,386	7,115	8,443
Capex	1,366	4,000	5,000	6,000
Investment in subsidiary				
Net Interest exp	1,462	1,194	1,200	1,049
Other Changes (balancing fig)	-2,224			
Change in Net investment	604	-5,194	-6,200	-7,049
Closing Net debt	8,714	9,522	8,608	7,213
FCFF	2,320	-808	915	1,394

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