RETAIL EQUITY RESEARCH

Apollo Hospitals Enterprise Ltd.

Healthcare Facilities

BSE CODE:508869 **NSE CODE:** APOLLOHOSP
Bloomberg CODE: APHS:IN **SENSEX:** 26,396

BUY

Rating as per Largecap 12months investment period

CMP Rs1,328 **TARGET** Rs1,497 **RETURN** 13%

14th June, 2016

A structural growth story…

Apollo Hospitals Enterprise Ltd. (AHEL) is India's largest private healthcare services provider with a network of 9,554 beds spread across the country.

- Established leadership position in the hospitals segment with a strong brand recall.
- The Indian healthcare market is expected to grow at a CAGR of 13% to Rs6,850bn over FY15-FY20E on the back of improving healthcare affordability, changing disease patterns, greater health awareness & rising insurance coverage.
- Revenue & earnings to grow at 17.6% & 32.3% CAGR respectively over FY16-18E on account of company's strategy to consolidate its new capacity for the next 18- 24 months.
- During FY16-18E, EBITDA margin is expected to improve gradually. We are factoring 70bps gain in overall EBITDA margin to 13.6% by FY18E.
- We initiate with a "Buy" rating valuing at 20x FY18E EV/EBITDA with a target price of Rs1,497.

Largest domestic pure-play in the under-penetrated healthcare market

AHEL is India's largest private healthcare services provider with a network of 9,554 beds across 69 hospitals (61 owned & 8 managed). In FY16, AHEL derived 60% of its turnover from healthcare services segment.

Enhanced capacities to act as a key growth catalyst

The healthcare services segment has posted strong revenue CAGR of ~13% over FY11-16. With current capex plans nearing completion (over the last 3 years, it has added 1,725 beds), we expect this segment to grow at a CAGR of 16.7% over FY16-FY18E primarily driven by operationalisation of new capacity. While ARPOB (Average revenue per occupied bed day) is estimated to rise from Rs28,036 per day in FY16 to Rs33,307 per day in FY18E, ALOS (Average length of stay) is expected to fall from 4.17 days in FY16 to 4.05 days in FY18E. Importantly, EBITDA margin in this segment is expected to remain under pressure in the near term (from 20.8% in FY16 to 20.5% in FY17E due to commissioning of Navi Mumbai facility in FY17E). However, in FY18E we believe margin to expand by 40 bps YoY to 20.9% on the backdrop of AHEL's focus on operationalising & stabilising the new capacity for the next 2 years.

Pharmacy business- candidate for value unlocking

Apollo with 2,326 stores is the largest branded pharmacy chain in India. Interestingly, the pharmacy business is a candidate for possible value unlocking & AHEL is planning to induct a strategic partner once government allows FDI in multi-brand retail sector. During FY16, this segment reported overall EBITDA margin of 3.6% vs 3.3% in FY15. Going forward, we believe the margin would further expand to 4.5% by FY18E on the back of higher proportion of mature stores in the total network & higher private label sales. Therefore, we expect this segment to grow at a CAGR of ~19% to Rs3,276crores over FY16-FY18E.

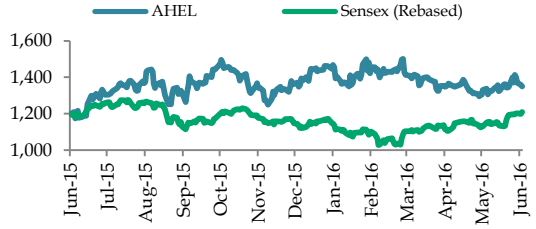
Valuations - AHEL is in a sweet spot given its leadership position, strong brand equity and underpenetrated nature of the healthcare sector. We expect revenue and PAT to grow at a CAGR of 17.6% and 32.3% over FY16-FY18E. Further, we rate the stock as 'BUY' assigning a FY18E EV/EBITDA of 20x arriving at a target price of Rs1,497 which implies potential upside of ~13% for next 12 months.

Company Data	
Market Cap (cr)	18,475
Enterprise Value (cr)	21,020
Outstanding Shares (cr)	14
Free Float	66%
Dividend Yield (%)	0.4
52 week high	1,544
52 week low	1,160
6m average volume ('000)	231
Beta	0.2
Face value	5.0

Shareholding %	Q2FY16	Q3FY16	Q4FY16
Promoters	34.4	34.4	34.4
FII's	44.2	44.8	45.3
MFs/Insti	1.8	1.4	1.0
Public& Others	19.6	19.5	19.4
Total	100	100	100

Price Performance	3mth	6mth	1 Year
Absolute Return	(5.6)%	(5.2)%	12.7%
Absolute Sensex	6.4%	5.0%	(0.1)%
Relative Return*	(12.0)%	(10.1)%	12.9%

*over or under performance to benchmark index

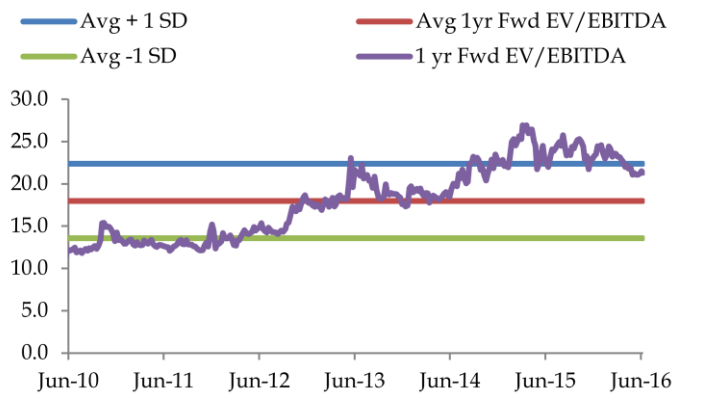


Y.E Mar (Rscr)	FY16	FY17E	FY18E
Sales	6,086	7,200	8,409
Growth (%)	*17.5*	*18.3*	*16.8*
EBITDA	782	944	1,147
EBITDA Margin%	*12.9*	*13.1*	*13.6*
Adj. PAT	302	377	528
Growth (%)	*(7.5)*	*24.8*	*40.2*
Adj. EPS	21.7	27.1	38.0
Growth (%)	*(7.5)*	*24.8*	*40.2*
P/E	61.2	49.0	35.0
P/B	5.3	5.0	4.5
EV/EBITDA	26.4	22.0	18.0
ROE (%)	*9.1*	*10.5*	*13.5*
D/E	0.7	0.7	0.6

Valuations

Currently, AHEL is trading around 1 standard deviation (SD) above historical average which is warranted in our view, given its consistent track record of execution. In the last one year, the 1 year forward EV/EBITDA multiple has been quoting in the range of 21-23 (x). Hence, we have valued the stock at 20x FY18E EV/EBITDA with a target price of Rs1,497.

EV/EBITDA one year forward



*Source: Company, Geojit BNP Paribas Research;*SD-Standard Deviation

Revenue and PAT to grow at a CAGR of 17.6% and 32.3% respectively over FY16-18E

During FY16-FY18E, we expect the top-line of the company to grow at a CAGR of 17.6% on the back of operationalisation of the enhanced capacities (new bed additions) & increased traction in pharmacy segment. Further, AHEL would now focus on improving the operational metrics of healthcare service segment as the current expansion plan is on the verge of completion. Moreover, we estimate 32.3% CAGR in Adjusted PAT over FY16-18E mainly on account of lower tax rate (management has guided for a lower tax rate of 20-21%) coupled with EBITDA margin expansion from FY17E onwards.

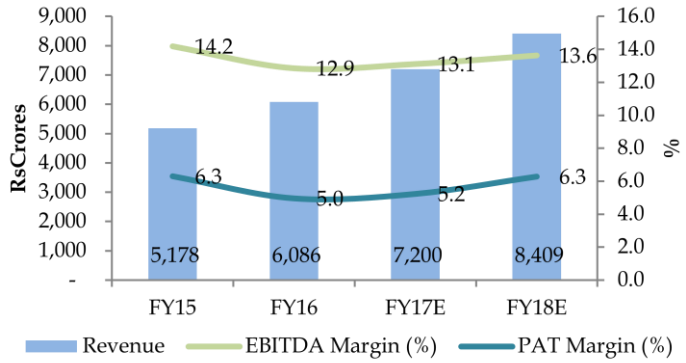
Overall EBITDA margin to improve gradually

After falling for the past four fiscals, we expect AHEL's consolidated EBITDA margins to improve gradually on account of three factors: 1) stabilisation of new beds (added 1,725 beds in the past three years & further adding 545 beds in FY17E) would lead to margin expansion of 40 bps YoY (from 20.5% in FY17E to 20.9% in FY18E) in the healthcare services segment, 2) margin expansion in pharmacy business as stores mature coupled with higher proportion of private label sales and 3) lower losses in Apollo Health and Lifestyle Limited (AHLL), a 100% retail healthcare subsidiary of AHEL. Thus, with paced improvement in operational metrics (focus on increasing ARPOB through pricing and case-mix improvement), we are factoring 70bps gain in overall EBITDA margin to 13.6% by FY18E (vs 12.9% in FY16).

Balance sheet strength provides comfort

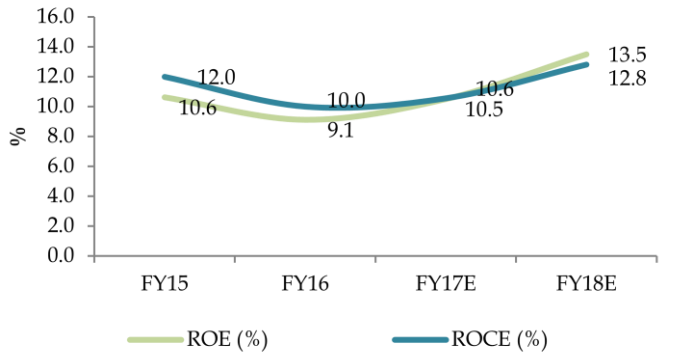
Although AHEL has aggressively expanded capacity over the past few years yet its net debt levels remain fairly comfortable at ~Rs2,080cr (net gearing of 0.6x as of March,2016). We expect net debt equity ratio to reduce gradually from 0.6x in FY16 to 0.5x in FY18E with repayment of debt and consistent internal accruals. More importantly, given the company's focus on consolidation over the next two years and sharp profitability improvement, we expect AHEL to report significant improvement in its ROE and ROCE from FY17E onwards. While ROE is likely to improve from 9.1% in FY16 to 13.5% in FY18E, ROCE is projected to increase from 10% in FY16 to 12.8% in FY18E.

Revenue to grow at a CAGR of 17.6% over FY16-FY18E



Source: Company, Geojit BNP Paribas Research

Return Ratios to improve from FY17E onwards as beds mature



Source: Company, Geojit BNP Paribas Research

Investment Rationale…

Indian health infrastructure is well below WHO guidelines

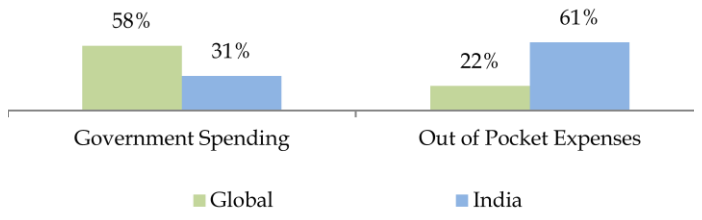
India continues to rank low on many of the healthcare infrastructure parameters. According to the statistics of the World Health Organization (WHO), the proportion of Indian government expenditure on healthcare is only 31% as against the global average of 58%. Consequently, the private sector accounts for a majority of the total healthcare expenditure in India.

In terms of availability of medical staff, the number of doctors and nurses available for every 10,000 population was at 6.5 and 10.0 respectively in India when compared to the global average of 13.9 doctors and 29.0 nurses. Likewise, bed availability in India stood at 9 per 10,000 which was significantly lower than the WHO guideline of 30 beds per 10,000 population. As per industry estimates, in order to meet this WHO standard, India needs investments to the tune of over Rs14trillion.

Under-penetrated market presents an attractive opportunity

A lack of strong public healthcare delivery system and weak penetration of health insurance in the country have led to higher out-of-pocket (OOP) expenditure on healthcare. OOP expenses as a proportion of total healthcare spending continued to remain elevated at about 61% in 2015 as against the global average of 22%. With government having limited resources to cater to the healthcare demands of the population, private players such as Apollo Hospitals are well placed to tap the opportunity in the domestic healthcare sector. Moreover, we believe the Indian healthcare market to grow at a CAGR of 13% to Rs6,850 bn over FY15-FY20E.

Healthcare expenditure composition (%)



Source: WHO

Abysmal doctor-to-population ratio of India

Per 10,000 population	India	China	USA	Singapore	Malaysia	Thailand	Australia
Health Workforce Density							
Physicians	6.5	14.6	24.2	19.2	12.0	3.0	38.5
Nurses & midwives	10.0	15.1	98.2	63.9	32.8	15.2	95.9
Infrastructure							
Hospital Beds	9	39	30	27	18	21	39

Source: WHO

Outlook for revenue growth of healthcare segment remains robust

In FY16, the healthcare services segment contributed 60% to the total revenues. As on March 2016, AHEL had a total bed capacity of 9,554 beds in 69 hospitals. This segment has posted strong revenue CAGR of ~13% over FY11-16, driven by 7.1% & 8.7% CAGR in number of operating beds & ARPOB respectively. Besides, the decline in ALOS from 4.79 to 4.17 days has further fueled the growth. However, the occupancy rates dropped from 73% in FY11 to 63% in FY16, owing to capacity additions (over the last 3 years, it has added 1,725 beds). Going forward, we expect the overall healthcare services segment to grow at a CAGR of 16.7% over FY16-FY18E primarily driven by operationalisation of new capacity (adding 545 beds in FY17E). While ARPOB is estimated to rise from Rs28,036 per day in FY16 to Rs33,307 per day in FY18E, ALOS is expected to fall from 4.17 days in FY16 to 4.05 days in FY18E.

FY15 Summary at Apollo Hospitals* (Better case mix led to increase in ARPOB)

350,000+ **Admission**	3.2 mn+ **Outpatients**	250,000+ **Prevention Health Check-ups**
11,000+ **Heart Surgeries**	5,000+ **Joint Replacements**	14,000+ **Neuro-Surgical operations**
500 **Robotic Surgeries**	1,100+ **Kidney Transplants**	400+ **Liver Transplants**
120 **Countries Medical Value Travel**	170 **Bone Marrow Transplants**	155,000+ **Radiotherapy Sessions** 47,000+ **Chemotherapy sittings**

**FY15 info for owned hospitals only. Doesn't include managed hospitals; Source: Company*

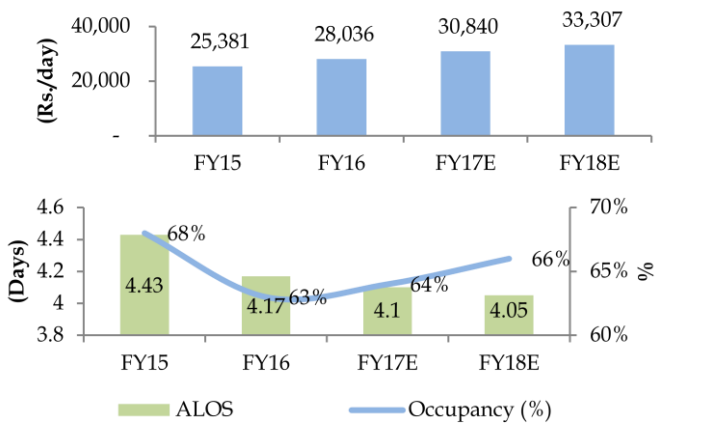
Continued focus on clinical excellence

AHEL has been able to establish a strong brand on the basis of excellence in clinical delivery. This is primarily due to its ability to leverage the latest medical technology and retain the best of medical talent. Over the years, AHEL has successfully performed a wide range of complex procedures for the first time in India & Asia. Few examples of such complex procedures which were performed for the first time in India included: a) first ceramic knee replacement in India, b) first in India for G4 Cyberknife Robotic Radiosurgery, c) first in SE Asia to introduce Proton beam therapy for cancer, etc.

Focus on clinical excellence and innovation	
Apollo HEART INSTITUTE	• Over 1,50,000+ Cardiac Surgeries • Success rate of 99.60% in Cardiac Bypass • Introduced off-pump & beating heart surgeries
Apollo INSTITUTES OF ORTHOPAEDICS	• High success rate in – TKR, Illizarov procedure & hip resurfacing • 1st time use of restorable screws for congenital spine problems • 1st ceramic coated knee replacement in South India
Apollo INSTITUTES OF NEUROSCIENCES	• Transsphenoidal surgery for pituitary tumors, spinal fusions, X-knife for fractioned treatment of benign and malignant tumours (Stereo Tactic Radiotherapy) • Ably supported by modern Neuro Radiology services, Neuro-Intensive care facilities and Medical & Radiation Oncology services
Apollo 24 EMERGENCY	• Pick up time of <10 minutes, 200+ Ambulances, 500+ calls daily, 900-1,000 monthly pick-ups • 1,20,000+ emergency footfalls annually & 5,00,000+ calls served in 10 years+ • Well-equipped ambulances manned by trained personnel • Air ambulance services for remote areas & life-threatening emergencies • Effective communication systems internally
Apollo CANCER INSTITUTES	• 1st in India to introduce Stereotactic Radiotherapy & Radiosurgery for cancer treatment. • 1st hospital group in South-East Asia to introduce the 16 Slice PET-CT Scan • Introduced the most advanced CyberKnife Robotic Radio surgery system in Asia Pacific region • 1st in South East Asia to introduce Proton Beam Therapy (Scheduled in 2018)
Apollo INSTITUTE OF TRANSPLANT	• 1400+ solid organ transplants in 2013 • Harvested 23 organs from 5 brain dead donors & conducted 10 transplants in a day and gave 23 individuals the priceless gift of life • Wide range of services offered - Heart transplants, Liver & Kidney transplants ,Corneal transplants, Intestinal & GI Transplants & Pediatric Transplants
Apollo ICU MANAGEMENT	• Apollo's infection control protocols pertain to wide spectrum of interventions and have been developed jointly with intensivists & anesthetists • Standardized procedures for clinical handover • Bedside Analysis- checklist use has reduced ALOS & improved infection control indices technology excellence

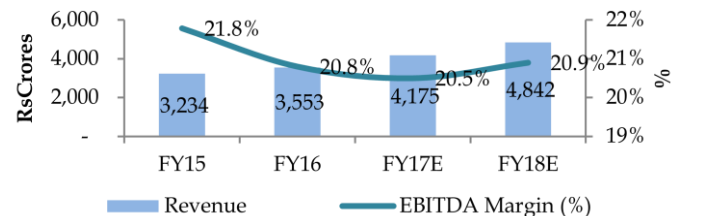
Source: Company, Geojit BNP Paribas Research

Increasing ARPOB and declining ALOS augur well for revenue growth



Source: Company, Geojit BNP Paribas Research

Healthcare services segment to grow at a CAGR of 16.7% over FY16-FY18E



Source: Company, Geojit BNP Paribas Research

Current phase of expansion plan on the verge of completion

Over the last 36 months, AHEL has commissioned 1,725 beds in 11 locations including Vanagaram (260 beds), Jayanagar (140), Trichy (200), Nashik (120), Women and Child - OMR (60), Indore (120), Nellore (190), Perungudi (150), Women & Child - SMR (50), Vizag new (247) and Malleswaram (190). Further, in FY17E, it is adding 545 beds across two locations including Navi Mumbai (480) and Indore (65). Moreover, with the commissioning of the Navi Mumbai facility by end of Q2FY17E, the current phase of expansion plan would be completed. The next phase of expansion includes addition of 500 beds (Mumbai, Chennai) by FY19 with an additional capex of Rs890 crores. This capex would be funded by a mix of internal accruals & proposed rights issue.

Focusing on operationalising the new capacity

With new facilities kicking in (commissioning of Navi Mumbai facility in FY17E), it will put some pressure on EBITDA margin in the near term. Margins in the healthcare segment are expected to fall slightly from 20.8% in FY16 to 20.5% in FY17E. However, we believe for the next 18- 24 months AHEL will focus on operationalising & stabilising the new capacity

(consolidation phase). Thus, the EBITDA margins are expected to expand by 40 bps to 20.9% (YoY) in FY18E.

Current phase of capacity expansion plan in final stages of completion

Location	CoD*	Type of Hospital	No. of Beds	Estimated Project cost (Rscrores)
Addition in FY17				
Indore (expansion)	FY17	Super Speciality	65	28.0
Navi Mumbai	FY17	Super Speciality	480	602.4
Sub Total			**545**	**630.4**
Addition in FY19				
South Chennai (incl Proton)	FY19	Super Speciality	200	750.0
Byculla, Mumbai	FY19	Super Speciality	300	140.0
Sub Total			**500**	**890.0**
Total			**1,045**	**1,520.4**

** Expected date of completion; Source: Company*

Pharmacy business – a prominent chain

Apollo Pharmacy is the largest branded pharmacy chain in the country. Currently, the company runs 2,326 stores countrywide. The pharmacy offers a wide range of medicines, surgical products, hospital consumables and over-the-counter products. In FY16, the pharmacy business contributed 38% to the consolidated revenues.

Pharmacy business- candidate for value unlocking

During FY11-FY16, this business has grown at a CAGR of ~29% on the back of consistent addition of new pharmacies and timely shut down of non-performing stores. In the last four fiscals, we have witnessed robust improvement in revenue per store from Rs73lakhs in FY13 to Rs1cr in FY16. Going forward, we expect revenue per store to increase from Rs1cr in FY16 to Rs1.22cr in FY18E. Interestingly, the pharmacy business is a candidate for possible value unlocking & AHEL is planning to induct a strategic partner once government allows FDI in multi-brand retail sector.

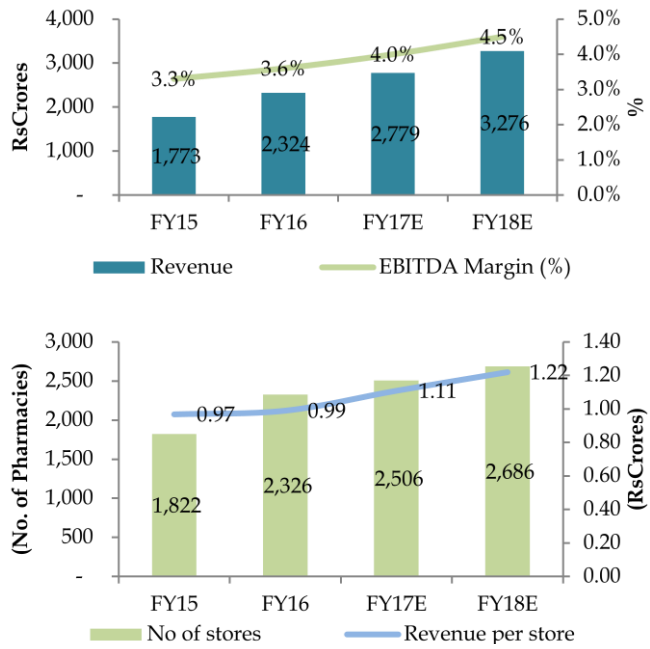
Traction in pharmacy business augurs well for AHEL

While the overall EBITDA margin of pharmacy business expanded by 30bps YoY to 3.6% in FY16 (including the impact of Hetero acquisition), the mature cohort of pre-2008 stores posted EBITDA margin of 6.8% in FY16. Going forward, the margin would get a boost with the increase of private label product (FMCG & OTC drugs) sales. Currently, sales from private labels account for ~6% of the overall pharmacy revenues. AHEL aims to increase its revenue contribution to 20% in next five years. Recently, AHEL entered into an agreement with Patanjali to market its products through Apollo's stores.

Pharmacy business to grow at a CAGR of 19% over FY16-18E

AHEL also plans to expand EBITDA margin of this segment to 6% over the next 3 years. However, we expect margin to expand to 4.5% by FY18E on the back of higher proportion of mature stores in the total network & higher private label sales. Going forward, AHEL is planning to add 200 pharmacies annually over the next couple of years. Hence, we expect this segment to grow at a CAGR of ~19% to Rs3,276crores over FY16-FY18E.

Mature stores driving the growth of pharmacy segment



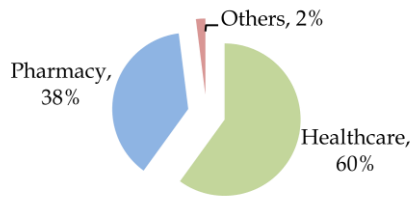
Source: Company, Geojit BNP Paribas Research

Apollo Hospitals: India's largest private healthcare services provider …Overview

AHEL is India's largest private healthcare services provider with a network of 9,554 beds across 69 hospitals (61 owned & 8 managed). In FY16, AHEL derived 60% & 38% of its turnover from healthcare services & pharmacy segment respectively.

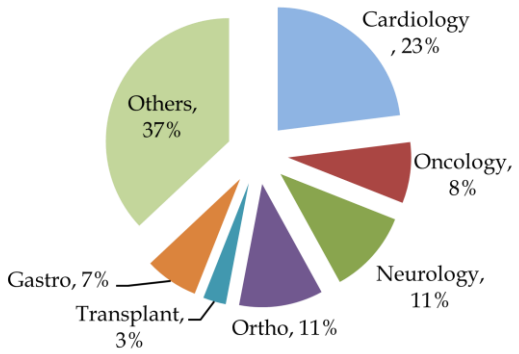
The standalone healthcare segment has been segregated into three clusters: 1) Chennai, 2) Hyderabad and 3) Others which include hospitals located in Madurai, Karur, Karaikudi, Trichy, Mysore, Vizag, Bhubaneswar, Jayanagar etc. Apart from hospitals, Apollo has the largest branded pharmacy chain in the country. Currently, the company runs 2,326 stores countrywide. AHEL is also present in other healthcare businesses such as health insurance, medical education and hospital consultancy. Besides, Apollo Health and Lifestyle Limited (AHLL), a 100% retail healthcare subsidiary of AHEL operates a network of primary care and specialty care format clinics across India.

Segment-wise Revenue Mix (FY16)



Source: Company, Geojit BNP Paribas Research

Specialty-wise In-Patient Revenues (FY16)



Source: Company, Geojit BNP Paribas Research

Well-diversified bed capacity mix by geography

Categorywise	Capacity beds	Operational	No. of Hospitals
Owned	8,120	6,724	61
Managed	1,434	1,434	8
Grand Total	**9,554**	**8,158**	**69**
Cluster wise (Owned)			
Chennai	1,696	1,531	11
Hyderabad	959	930	5
Kolkata	600	600	2
Delhi	875	714	2
Bangalore	627	463	3
Ahmedabad	320	314	2
Tamilnadu (outside Chennai)	808	590	6
Bhubaneshwar	290	264	1
Other India	1,445	1,318	10
Day surgery centers/ CRADLE	500	0	19
Grand Total	**8,120**	**6,724**	**61**

Source: Company, Geojit BNP Paribas Research

Apollo versus other major hospitals (FY16)

Company	No. of Operational Beds	Geographical Presence	Other Business	Hospitals as % of Total Revenues
Apollo Hospitals	6,724 (owned)	Pan India	Pharmacy ,Health Insurance	60%
Fortis Healthcare	~ 4,000	Pan India	Diagnostic	82%
Narayana Hrudayalaya	5,347	Major presence in Karnataka & Eastern India	Heart Centres, clinics, learning & development	93%

Source: Company, Geojit BNP Paribas Research

Key Risks:

- Shortage of healthcare professionals.
- Delay in occupancy ramp-up across new hospitals.
- Increase in competition from new and existing players could affect ARPOB.

Consolidated Financials

Profit & Loss Account

Y.E March (Rs cr.)	FY14	FY15	FY16	FY17E	FY18E
Sales	**4,384**	**5,178**	**6,086**	**7,200**	**8,409**
% change	*16.3%*	*18.1%*	*17.5%*	*18.3%*	*16.8%*
EBITDA	**672**	**735**	**782**	**944**	**1,147**
% change	*10.6%*	*9.3%*	*6.5%*	*20.7%*	*21.4%*
Depreciation	168	212	253	314	336
EBIT	**505**	**523**	**529**	**631**	**811**
Interest	119	118	168	202	195
Other Income	21	37	27	28	29
PBT	**407**	**442**	**387**	**456**	**646**
% change	*3.5%*	*8.7%*	*(12.4)%*	*17.8%*	*41.6%*
Tax	102	130	100	96	136
Tax Rate (%)	*25.0%*	*29.4%*	*25.9%*	*21.0%*	*21.0%*
Reported PAT	**317**	**340**	**331**	**377**	**528**
Adj.	-	13	29	-	-
Adj. PAT	**317**	**326**	**302**	**377**	**528**
% change	*9.4%*	*3.1%*	*(7.5)%*	*24.8%*	*40.2%*
No. of shares (cr.)	14	14	14	14	14
Adj EPS (Rs)	**22.8**	**23.5**	**21.7**	**27.1**	**38.0**
% change	*9.4%*	*3.1%*	*(7.5)%*	*24.8%*	*40.2%*
DPS (Rs)	5.7	5.7	6.0	6.5	8.4

Balance Sheet

Y.E March (Rs cr.)	FY14	FY15	FY16	FY17E	FY18E
Cash	274	377	398	445	484
Accounts Receivable	520	609	702	831	970
Inventories	279	350	443	489	539
Other Cur. Assets	273	456	646	760	884
Investments	322	311	270	270	270
Gross Fixed Assets	3,438	4,120	4,864	5,703	6,103
Net Fixed Assets	2,549	3,079	3,569	4,095	4,159
CWIP	474	533	639	300	350
Intangible Assets	150	165	212	212	212
Def. Tax (Net)	(329)	(402)	(484)	(484)	(484)
Other Assets	510	578	795	795	795
Total Assets	**5,021**	**6,057**	**7,189**	**7,712**	**8,179**
Current Liabilities	734	991	1,123	1,285	1,471
Provisions	-	-	-	-	-
Debt Funds	1,285	1,814	2,478	2,578	2,478
Other Liabilities	6	8	4	5	5
Equity Capital	70	70	70	70	70
Reserves & Surplus	2,907	3,102	3,384	3,652	4,040
Shareholder's Fund	2,977	3,171	3,454	3,722	4,109
Minority Interest	19	73	130	123	116
Total Liabilities	**5,021**	**6,057**	**7,189**	**7,712**	**8,179**
BVPS (Rs)	**214.0**	**227.9**	**248.2**	**267.5**	**295.4**

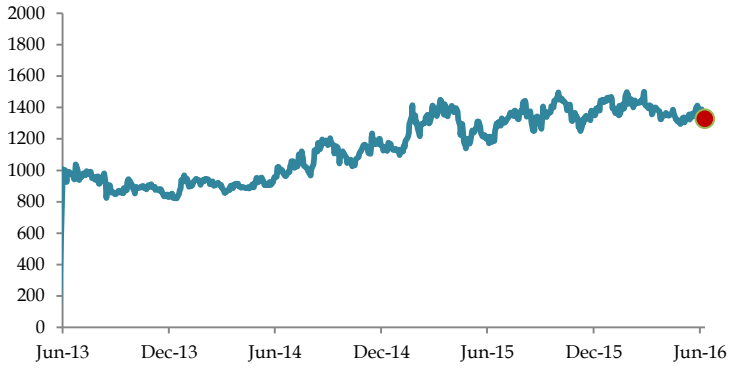
Cash flow

Y.E March (Rs cr.)	FY14	FY15	FY16	FY17E	FY18E
Pre-tax profit.	407	455	424	465	657
Depreciation	167	212	253	314	336
Changes in W.C	(214)	(161)	(381)	(127)	(127)
Others	124	64	142	174	165
Tax paid	(110)	(100)	(19)	(96)	(136)
C.F.O	**373**	**470**	**420**	**731**	**895**
Capital exp.	(612)	(868)	(850)	(500)	(450)
Change in inv.	230	67	41	-	-
Other invest.CF	26	42	27	28	29
C.F - investing	**(356)**	**(759)**	**(782)**	**(472)**	**(421)**
Issue of equity	7	42	(0)	-	-
Issue/repay debt	126	548	664	100	(100)
Dividends paid	(77)	(80)	(100)	(109)	(141)
Other finance.CF	(120)	(118)	(181)	(202)	(195)
C.F - Financing	**(63)**	**392**	**383**	**(211)**	**(435)**
Chg. in cash	(46)	103	20	47	39
Closing cash	274	377	398	445	484

Ratios

Y.E March	FY14	FY15	FY16	FY17E	FY18E
Profitab. & Return					
EBITDA margin (%)	15.3	14.2	12.9	13.1	13.6
EBIT margin (%)	11.5	10.1	8.7	8.8	9.6
Net profit mgn.(%)	7.2	6.3	5.0	5.2	6.3
ROE (%)	11.1	10.6	9.1	10.5	13.5
ROCE (%)	12.9	12.0	10.0	10.6	12.8
W.C & Liquidity					
Receivables (days)	43.3	42.9	42.1	42.1	42.1
Inventory (days)	47.3	49.5	52.9	49.7	47.1
Payables (days)	32.0	34.4	34.7	34.6	34.7
Current ratio (x)	1.8	1.8	1.9	2.0	2.0
Quick ratio (x)	1.5	1.5	1.6	1.6	1.6
Turnover &Levg.					
Gross asset T.O (x)	1.4	1.4	1.4	1.4	1.4
Total asset T.O (x)	0.9	0.9	0.9	0.9	1.0
Int. covge. ratio (x)	4.2	4.4	3.1	3.1	4.2
Adj. debt/equity (x)	0.4	0.6	0.7	0.7	0.6
Valuation ratios					
EV/Sales (x)	4.4	3.9	3.4	2.9	2.4
EV/EBITDA (x)	29.0	27.2	26.4	22.0	18.0
P/E (x)	58.3	56.6	61.2	49.0	35.0
P/BV (x)	6.2	5.8	5.3	5.0	4.5

Recommendation Summary (last 3 years)



Dates	Rating	Target
14-Jun-16	BUY	1,497

Source: Bloomberg, Geojit BNP Paribas Research

Investment Rating Criteria

Large Cap Stocks;			Mid Cap and Small Cap;		
Buy	-	**Upside is 10% or more.**	**Buy**	-	**Upside is 15% or more.**
Hold	-	**Upside or downside is less than 10%.**	**Accumulate***	-	**Upside between 10% - 15%.**
Reduce	-	**Downside is 10% or more.**	**Hold**	-	**Absolute returns between 0% - 10%.**
			Reduce/Sell	-	**Absolute returns less than 0%.**

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating.
* For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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ROHIT JOSHI

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