Stock Update

Indraprastha Medical Corporation Ltd

April 17, 2023

RETAILRESEARCH

Indraprastha Medical Corporation Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Hospital	Rs. 83.1	Buy between Rs. 82 – 84 & add more on dips to the range of Rs. 72-74	Rs. 93	Rs. 99.5	2-3 quarters

HDFC Scrip Code	INDMEDEQNR
BSE Code	532150
NSE Code	INDRAMEDCO
Bloomberg	IPMC:IN
CMP Apr 13, 2023	83.10
Equity Capital (Rs Cr)	91.7
Face Value (Rs)	10
Equity Share O/S (Cr)	9.2
Market Cap (Rs Cr)	762
Book Value (Rs)	37.5
Avg. 52 Wk Volumes	194476
52 Week High	94.05
52 Week Low	52

Share holding Pattern % (Mar, 2023)	
Promoters	51.00
Institutions	0.28
Non Institutions	48.72
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

A lot of factors favour the Indian healthcare sector which has driven our positive outlook towards it. This includes the recent initiatives taken by the Government such as Ayushman Bharat, National Digital Mission, etc., rising income levels, ageing population, greater awareness of personal health and hygiene, rising penetration of health insurance, technological advancements. Further, the Indian healthcare industry has grown exponentially by addressing the multibillion-dollar medical value travel opportunity. India has emerged as one of the most preferred destinations for patients across the globe in seeking medical assistance.

Indraprastha Medical Corporation Ltd. (IMCL), a JV between Apollo Hospitals Enterprise Ltd. (holds 22% stake) and the State Government of Delhi (Government holds 26% stake) is a 764-bedded, super specialty tertiary care hospital with 52 specialty departments. Transplants, cardiology, oncology, neurology and orthopedic with higher revenue prospects are some of the key specialty departments of the hospital. The company has impeccable track record, long presence as well as quality of medical care supported by long term relationships with its doctors and other medical professionals. It drives significant tangible and intangible benefits from "Apollo" brand value. Over the years, the company has brought in best in class technologies for its patients and with the changing preference of the customers i.e. Ask Apollo and Apollo 24/7. Clinical Excellence is the cornerstone upon which the company’s healthcare operations are built. This has allowed it to continuously assess the quality of care provided to its patients and objectively measure the consistency and success of its healthcare delivery services. This has contributed significantly to the group’s illustrious track record, allowing it to achieve high success rates even in the most difficult surgeries, such as transplants, cardiac care, and oncology.

We feel that IMCL is a fundamentally strong candidate in the Indian healthcare industry which has immense growth potential, has an established presence in Delhi and NCT, has a strong brand image, healthy financials, asset light business model and lower capex needs.

Geographic concentration, government regulations and ongoing litigations regarding free treatment to poor patients continue to remain key concerns for the long term investment in the company.

Previously, we had issued an initiating coverage report (link) on IMCL dated 31st October, 2022 and recommended Buy at LTP of Rs.67.6 and add more on dips to Rs.59 band, for the base case fair value target of Rs.75.75 and the bull case fair value target of Rs.83.25 over the next 2-3 quarters. The target for this was reached on 7th November, 2022.

Valuation & Recommendation:

During the pandemic, lock downs impacted the healthcare companies in India severely. There was a significant drop in patient footfall—be it a single speciality, multi-speciality, tertiary-care hospitals or even diagnostics businesses. Financial performance of IMCL was also impacted due to the same, however, as the situation has stabilized, the company's business has also got back on track. There was ~45% jump in revenue in FY22 and margins again also improved to ~13% in FY22 v/s 6.6% in FY21. The company has negligible debt on balance sheet and has been paying healthy dividends to its shareholders. We have envisaged 18% CAGR in revenue and 32% CAGR in net profit over FY22-25E.

We believe the base case fair value of the stock is Rs. 93 (7x FY25E EPS) and the bull case fair value of the stock is Rs. 99.5 (7.5x FY25E EPS) over the next 2-3 quarters. Investors can buy the stock in the range of Rs. 82-84 and add on dips to the range of Rs.72-74 ~ (5.5x FY25E EPS). At the LTP, the stock is trading at 6.3x FY25E EPS.

Financial Summary (Rs.Cr)

Particulars (Rs cr)	Q3FY23	Q3FY22	YoY-%	Q2FY23	QoQ-%	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	277.7	236.6	17.4	284.4	-2.3	613.4	888.2	1,068.0	1,261.0	1,463.2
EBITDA	37.8	31.3	20.9	43.6	-13.2	40.3	114.3	148.4	170.2	196.8
PAT	20.9	15.9	31.3	25.1	-16.8	1.4	60.6	82.2	99.7	121.3
EPS (Rs)	2.3	1.7	31.3	2.7	-16.8	0.2	6.4	9.0	10.9	13.2
RoE-%						0.5	17.6	23.5	24.6	25.8
P/E (x)						525.4	13.0	9.3	7.6	6.3
EV/EBITDA (x)						18.4	6.1	4.7	4.1	3.5

Following table shows a summary of changes in our estimates compared to our previous report:

	FY23E			FY24E			FY25E
	Old	New	% Change	Old	New	% Change	
Revenue	1013	1068	5%	1144	1261	10%	1463
EBITDA	141	148	6%	161	170	6%	197
PAT	74	82	11%	90	100	11%	121

Q3FY23 Result Update

The company has reported decent performance in Q3FY23. It reported total revenue to the tune of Rs.277 crores which is up 17% on a yearly basis but down 2% on a sequential basis. Total Expenditure of the company remained flat on a sequential basis at ~ Rs. 239 crores but were up 17% on a yearly basis. EBITDA margin stood at 14% in Q3FY23 vs. 13% in Q3FY22; it however, slipped on QoQ basis by 171bps due to rise in employee expenses and other expenses. Finally, the net profit stood at Rs.20.9 crores which rose by 31% / (17%) YoY/QoQ which bought the EPS at 2.28.

Key Triggers:

Leveraging Association with AEHL:

Apollo Hospitals was established in 1983 by Dr. Prathap C Reddy, renowned as the architect of modern healthcare in India. As the nation's first corporate hospital, Apollo Hospitals is acclaimed for pioneering the private healthcare revolution in the country. Apollo Hospitals has emerged as Asia's foremost integrated healthcare services provider and has a robust presence across the healthcare ecosystem, including Hospitals, Pharmacies, Primary Care & Diagnostic Clinics and several retail health models. The Group also has Telemedicine facilities across several countries, Health Insurance Services, Global Projects Consultancy, Medical Colleges, Medvarsity for E-Learning, Colleges of Nursing and Hospital Management and a Research Foundation. Apollo Hospitals is the largest hospital in India in terms of number of beds with 9,385 beds as on December-22.

IMCL enjoys significant operational, financial and managerial linkages with Apollo Hospitals Enterprise Ltd (AHEL). Further, Dr. Pratap C Reddy, who is the Chairman of Apollo Hospitals group is the Vice Chairman of IMCL.

Diversified Revenue Streams:

IMCL has an established presence in NCR region. It has a 718-bedded facility in Sarita Vihar which is operational since 1996 and a 46-bedded facility in Noida which is operational since 2006. IMCL offers international standard medical care in New Delhi, delivering multi specialties under one roof. The hospital offers world class treatment at an affordable cost, focusing on specific areas where it can optimize efforts and values. The revenues are well diversified across specialities including oncology, neurology, cardiology, transplant hepatobiliary, orthopaedics and nephrology, etc. The top four specialities—oncology, cardiology, nephrology and transplant hepatobiliary—generated 41% of the in-patient revenues (including pharmacy revenues) in 9M FY2023 v/s 38% in FY2022. The balance revenues came from neurology, orthopedics, general surgeries etc. In case of hospitals, cardiology and oncology is considered as a cash cow due to the high associated treatment costs whereas nephrology is a stream where treatment costs are not high but large footfall makes this stream generate steady cash inflows. The hospital has been successful in providing quality treatment and thereby generating healthy cashflows from these important streams.

To accommodate increasing volumes in certain specialties, enable efficient manpower utilization and managing patient flow for a better experience, the company has carried out certain projects in past couple of quarters i.e. Extension of bone marrow transplant unit, creation of a 25-bedded dialysis unit, renovation of radiology unit as well as certain rearrangement were also done. As per management genomic applications in clinical medicine and healthcare are rapidly changing the future of medicine. Establishment of Apollo Centre of Genomic Medicine is underway. The Centre would provide comprehensive integrated 'state of the art' specialist clinical genomic and genomic medicine services.

Healthy recovery post pandemic:

Post the second pandemic wave, the hospital witnessed significant improvement in demand for elective surgeries resulting in 64% bed occupancy and 30% YoY improvement in the Average Revenue Per Operating Bed (ARPOB) to Rs. 48,031 leading to overall 45% revenue growth in FY2022. In 9MFY23, the bed occupancy and ARPOB continued to witness improvement to 69% and Rs. 56,122 respectively supported by significant jump in international patients with the resumption of international travel resulting in 23% YoY growth in 9MFY2023 revenues. Further, during 9MFY23, OPBITDA margins improved significantly to 14.3% from 12.9% in FY2022 on better operating metrics.

Strong Liquidity Profile:

Generally, multi speciality hospitals are capex and investment intensive organisations. They require huge outflow initially towards land and building. Once the operations have begun, it requires periodic investments towards advanced medical equipment and other periodic maintenance activities. These investments can either be funded by free cashflows generated by the hospital or through debt. Mostly, well established and mature multi-speciality hospitals are able to generate internal free cashflows. IMCL is no exception in this. For the year ended 2022, the company reported operating cashflows to the tune of Rs. 71.29 crores and generated net cashflows of Rs. 16.82 crores. Its cash and cash equivalents as of FY22 stood at Rs. 31.74 crores. This balance stood at Rs. 78.36 crores as of September, 2022. Such healthy level of liquidity will enable the company to internally meet its reinvestment needs.

Key Financial Metrics:

	FY19	FY20	FY21	FY22
Discharges	58229	56969	39452	50334
Revenues per patient (Rs.)	135225	145828	155475	176452
Average length of stay (days)	3.38	3.29	3.59	3.55
Out-patients	511026	490042	215858	377858
Revenue per bed day (Rs.)	39984	44333	43312	49761

Technological expertise

Since its inception, the company has placed strong emphasis on continuous improvement and the adoption of newer technology. It has the latest and best-in-class medical technologies like PET- MR, PET-CT, Da Vinci Robotic Surgery System, BrainLab Navigation System, Portable CT Scanner, NovalisTx, Tilting MRI, Cobalt based HDR Brachytherapy, DSA Lab, Hyperbaric Chamber, Fibroscan, Endosonography, 3 Tesla MRI, 128 Slice CT scanner to provide world-class care.

New health technologies such as wearable tech, telemedicine, genomics, virtual reality (VR), robotics and artificial intelligence (AI) continue to transform India's healthcare landscape. India, like many other markets, is on the verge of a "digital health" revolution, with a large number of healthcare companies beginning to adopt digital technologies spanning patient engagement, physician engagement, field force effectiveness, R&D efficiency, and supply chain management.

Pandemic has hastened the digital adoption process as there was severe shortage of doctors, nurses, and other healthcare workers. The company has also taken many steps in this directs to be upbeat with the changing environment. With the view of providing its patients easy access to the hospitals' services, the company has developed an integrated online platform called 'Ask Apollo,' which allows patients to book doctor appointments and schedule online consultations for basic medical needs. The hospitals recently launched Apollo 24/7, an advanced app that offers virtual doctor consultations, integrated medical records and prescriptions, and the ability to fill prescriptions through Apollo Pharmacy.

Strong financials

- IMCL's financial profile has been robust led by negligible debt, healthy cash generating ability and consistent dividend payment to shareholders over the past. Financial flexibility is strong, supported by robust liquidity.
- There was a minor blip in the performance due to Covid due to price caps for Covid treatment and lower footfall of non-Covid patients amid lockdowns. However, with the ease in pandemic situation, the improvement in the financials were clearly visible. In FY22, the company has reported revenue of Rs.888 Cr, up ~45% YoY, with 13% operating margins. The momentum was sustained in FY23 as well. By far, during 9MFY23, the company has already reported revenue of Rs. 825 crores at 14.3% operating margin.
- The business is asset light in nature as the company has done an agreement with Government of Delhi for lease of its hospital land at Sarita Vihar and with the Government of Noida for the Noida hospital.
- With no major need for capex as well as lower requirement of working capital, the debt level remains at a negligible level, which along with better operating margins resulted in healthy profitability.
- The company has been paying consistent and healthy dividends to its shareholders since FY08 except for Covid years (FY20 & FY21). The dividend yield for FY22 stands at 3%.

Indian healthcare market- Well positioned

Favourable Demographics: India accounts for nearly a fifth of the world's population, but has an overall bed density of merely 15 per 10,000 people, with the situation being far worse in rural than urban areas. India's bed density not only falls far behind the global median of 29 beds, per 10,000 people, it also lags that of other developing countries such as Brazil (21 beds), Malaysia (19 beds), and Vietnam (26 beds). Over the last few decades, India has taken considerable steps to grow its medical educational infrastructure. Rising income, easier access to high-quality healthcare facilities and greater awareness of personal health and hygiene are some of the factors which have led to an increase in the country's per capita healthcare expenditure. A greater penetration of health insurance has aided the rise in healthcare spending, a trend likely to intensify in the coming decade.

Government Support: Over the years, the Indian Government has been taking necessary initiatives to ensure delivery of quality healthcare services to all at affordable costs. The Government has also undertaken various initiatives like Ayushman Bharat and National Digital Mission (NDHM) to increase the coverage of healthcare services. The Ayushman Bharat scheme aims to comprehensively strengthen the healthcare system, right from primary to tertiary care. NDHM aims to create a management mechanism to process digital health data and facilitate its seamless exchange; develop registries of public and private facilities, health service providers, laboratories, and pharmacies; and support clinical decision making, as well as offer services like telemedicine. NDHM has the potential to make the health system more evidence based, transparent and efficient.

Medical Tourism: India has emerged as one of the most preferred destinations for patients across the globe in seeking medical assistance. According to the Medical Tourism Index 2020-21, India ranks 10th out of the top 46 countries in the world. These patients come to India for their treatments and also explore these tourist spots across the nation. Healthcare costs in India are extremely competitive compared to those in developed countries and other Asian countries. This is especially for expensive and delicate surgeries like cardiac bypass, solid organ transplants, joint replacements, dental services, cosmetic surgery and bariatric surgery. The cost of travel and accommodation is also low as compared to developed nations. India also attracts medical tourists from other developing nations due to lack of advanced medical facilities in many of these countries.

Risks & Concerns:

High competition

The healthcare sector is competitive, as increasing healthcare providers (newer and existing hospitals, low-cost nursing homes, etc.) try to establish themselves among patients. Increasing subsidies from the government and improvement in services from the government hospitals may cause attrition in patients and disrupt business sustainability. With the advancing technology and newer medical interventions, several hospitals are evolving with their services as well.

Recruitment and retaining of medical talent

This is one of the key hurdles faced by the industry that limits growth. Given the scarcity of quality resources, recruiting and retaining medical talent is a key challenge, especially with the competition also hunting for similar resources.

Price Regulation

Government regulating prices for critical medical treatment (including that of medical devices) which private hospital charges from patient remains a risk to revenues and margins.

Pandemic-related risk

The unprecedented COVID-19 pandemic has resulted in major revenue impact for the hospital. This is due to various factors such as sharp drop in OPD revenues, elective surgeries, consultations and international patients. If this trend continues, there will be losses and severe impact on cash flows.

Geographic concentration

The company has two properties located in NCR region which brings geographical as well as asset concentration risk. More than 90% of the revenue comes from the Sarita Vihar facility in New Delhi. Due to its high exposure to a single geographic region, the company's overall operations remain susceptible to region-specific shocks and risks. Thus any decline in patient demand in the NCR could have direct impact on the company's revenue. IMCL has no plans currently of entering new geographical areas. Further, the lease agreement with Government for the land is for 30 years after which it is to be renewed. Any adverse event in this regard could negatively impact our analysis.

Pending matter in relation to provision of free treatment to EWS patients

As per Joint Venture (JV) agreement with Delhi government in 1988, the company is expected to provide free treatment to patients which are referred to it by the Government of Delhi. In September, 2009, a PIL was filed in the Delhi High Court which was subsequently challenged by the company in the Supreme Court which is sub judice. The matter is related to the company charging for medicines and consumables from patients to be treated free by the hospital. As of date, the company has been charging this amount as the decision from the Supreme Court is pending.

Further, in May 2011, the Delhi High Court directed private hospitals to provide free treatment to 10% indoor and 25% outdoor patients, including medicines and consumables. The hospitals have appealed against the provision of free medicines and obtained a stay on the issue in 2014 with the next hearing expected anytime. Any unfavourable outcome from this hearing could impact the profitability of the company.

The Company has moved an Interlocutary Application before the Hon'ble Supreme Court seeking direction that the conditions relating to provision of free treatment facilities for patients belonging to indigent category to the extent of 10% IPD and 25% OPD be made applicable to the Company as have been made applicable in case of other hospitals.

During the year, a total of 28,667 patients (26,034 Out Patients and 2,633 In Patients) were treated under the free category. This compares with 50,334 inpatients and 3,77,858 outpatients treated by IMCL through the year.

Changes in GST Rates

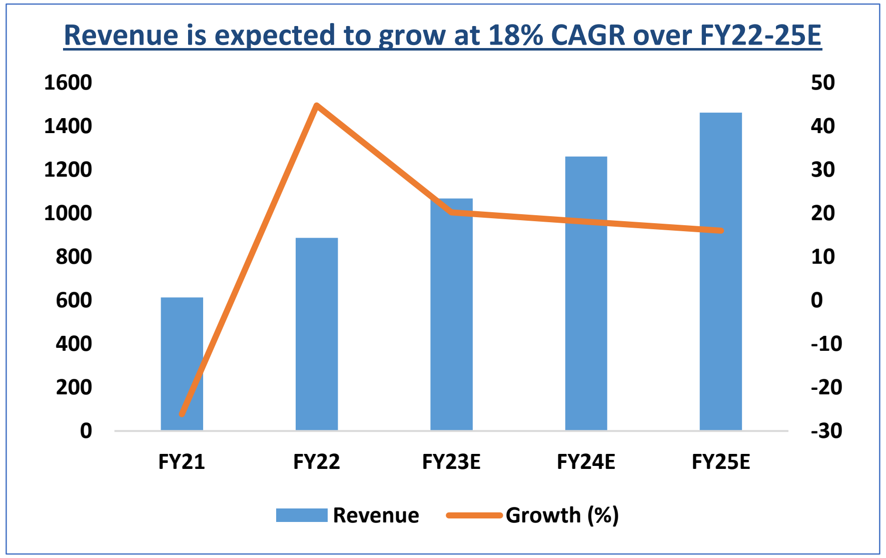
Any increase in GST incidence may result in increased costs for the patients and lead to lower revenue per bed atleast for the short term.

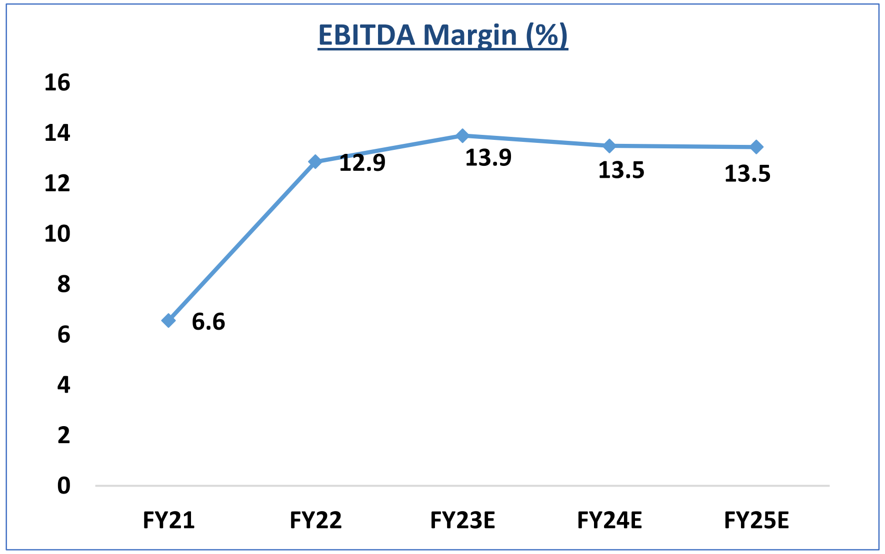
Increasing Health Insurance Penetration

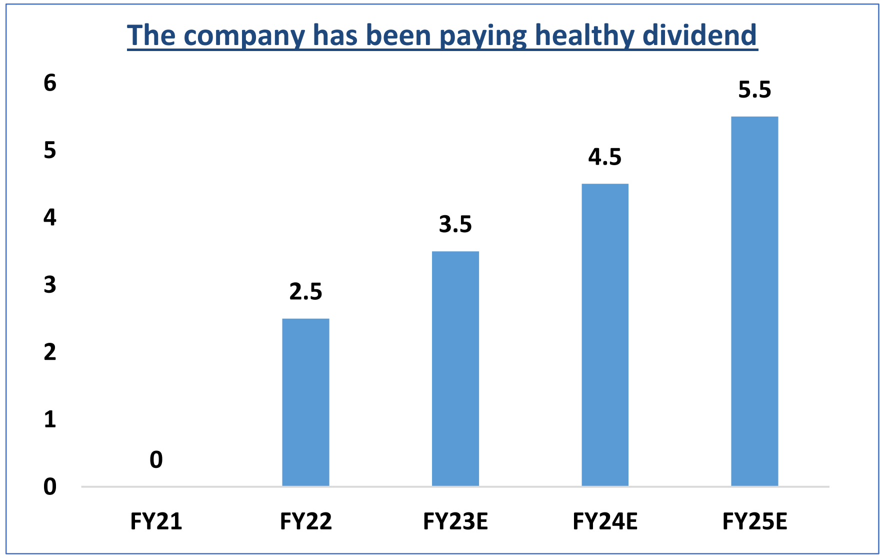
An increase in health insurance penetration is a positive news for the country as a whole. But it can have potential negative impact on hospitals. Further, with more penetration of health insurance, the pricing power would shift away from hospitals to the hands of insurance companies. Increasing pricing pressure from insurance companies, e.g., requests for discounts on rack rates, medication etc., can have an adverse impact on margins & revenues. Further, delays in receipt of claims from insurance companies can add downward pressure on the working capital of the company.

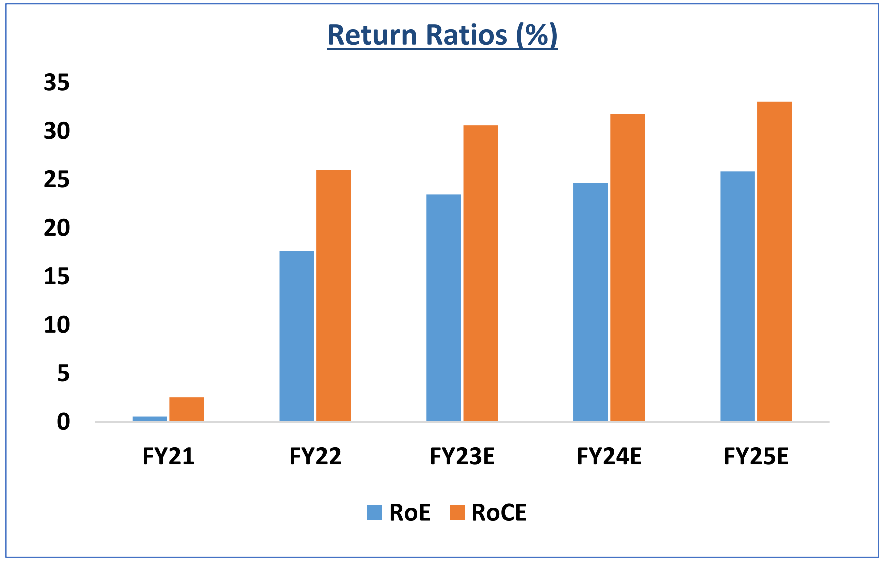
Company Background:

Indraprastha Medical Corporation Ltd. (IMCL) was incorporated in 1988 as a JV between Apollo Hospitals Enterprise Ltd. (holds 22% stake) and the State Government of Delhi (Government holds 26% stake). It is a 764-bedded, super speciality tertiary care hospital with 52 speciality departments including multi-organ transplants, non-invasive neuro-surgeries and day care procedures etc. The 15-acre land in Sarita Vihar has been leased for 30 years at Rs.1 per month by the Delhi government and in turn IMCL is supposed to provide free medical facilities to poor patients referred by the Delhi Government. In FY07, IMCL opened its Noida wing with 46 beds, which is positioned as a Mother and Child Care hospital. IMCL was the first hospital in India to be internationally accredited by the Joint Commission International (JCI), a US healthcare services accreditation body, in June 2005.


Revenue is expected to grow at 18% CAGR over FY22-25E
1600
1400
1200
1000
800
600
400
200
0
50
40
30
20
10
0
-10
-20
-30
FY21
FY22
FY23E
FY24E
FY25E
Revenue
Growth (%)


EBITDA Margin (%)
16
14
12
10
8
6
4
2
0
6.6
12.9
13.9
13.5
13.5
FY21
FY22
FY23E
FY24E
FY25E


The company has been paying healthy dividend
6
5
4
3
2
1
0
0
2.5
3.5
4.5
5.5
FY21
FY22
FY23E
FY24E
FY25E


Return Ratios (%)
35
30
25
20
15
10
5
0
FY21
FY22
FY23E
FY24E
FY25E
RoE
RoCE

Financials

Income Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	**613.4**	**888.2**	**1068.0**	**1261.0**	**1463.2**
Growth (%)	**-26.2**	**44.8**	**20.2**	**18.1**	**16.0**
Operating Expenses	573.1	773.9	919.5	1090.8	1266.4
EBITDA	**40.3**	**114.3**	**148.4**	**170.2**	**196.8**
Growth (%)	**-53.4**	**183.8**	**29.9**	**14.7**	**15.6**
EBITDA Margin (%)	**6.6**	**12.9**	**13.9**	**13.5**	**13.5**
Depreciation	33.3	34.9	39.3	39.1	38.8
EBIT	**6.9**	**79.4**	**109.1**	**131.1**	**158.0**
Other Income	0.7	3.1	6.4	8.8	11.7
Interest expenses	3.3	3.4	4.5	5.6	6.4
PBT	**4.3**	**79.1**	**111.0**	**134.3**	**163.3**
Tax	2.8	18.5	28.7	34.7	42.0
RPAT	1.4	60.6	82.2	99.7	121.3
APAT	**1.4**	**52.7**	**82.2**	**99.7**	**121.3**
Growth (%)	**-96.5**	**3533.8**	**56.1**	**21.2**	**21.7**
EPS	0.2	6.4	9.0	10.9	13.2

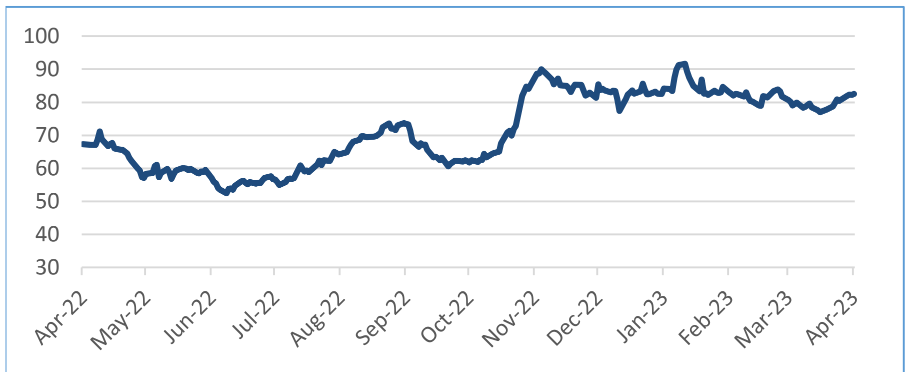
Balance Sheet

As at March	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	91.7	91.7	91.7	91.7	91.7
Reserves	181.1	233.8	283.9	342.4	413.3
Shareholders' Funds	**272.8**	**325.4**	**375.6**	**434.0**	**504.9**
Long Term Debt	5.3	2.5	3.5	4.5	5.5
Net Deferred Taxes	22.3	23.2	23.2	23.2	23.2
Long Term Provisions & Others	15.7	17.1	30.4	35.8	41.6
Total Source of Funds	**316.1**	**368.2**	**432.6**	**497.5**	**575.2**
APPLICATION OF FUNDS					
Net Block & Goodwill	283.3	276.9	262.5	253.4	249.7
CWIP	3.3	0.0	0.0	0.0	0.0
Other Non-Current Assets	3.9	27.4	90.3	159.1	227.9
Total Non-Current Assets	**290.5**	**304.3**	**352.9**	**412.5**	**477.6**
Current Investments	0.0	0.0	0.0	0.0	0.0
Inventories	8.7	10.0	14.6	17.3	20.0
Trade Receivables	67.4	43.4	73.1	86.4	100.2
Cash & Equivalents	27.5	68.5	70.0	73.5	76.1
Other Current Assets	37.8	35.6	29.3	34.5	40.1
Total Current Assets	**141.4**	**157.4**	**187.0**	**211.7**	**236.4**
Short-Term Borrowings	2.5	2.8	3.3	3.8	4.3
Trade Payables	91.8	76.8	87.8	103.6	112.2
Other Current Liab & Provisions	21.6	13.9	16.2	19.1	22.2
Total Current Liabilities	**115.9**	**93.5**	**107.3**	**126.6**	**138.8**
Net Current Assets	25.5	63.9	79.7	85.1	97.6
Total Application of Funds	**316.1**	**368.2**	**432.6**	**497.5**	**575.2**

Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	4.3	79.1	111.0	134.3	163.3
Non-operating & EO items	0.7	5.8	15.0	-8.2	-10.3
Interest Expenses	1.5	3.7	4.5	5.6	6.4
Depreciation	32.0	28.7	39.3	39.1	38.8
Working Capital Change	-2.3	-26.5	-2.4	2.6	-5.2
Tax Paid	-9.4	-19.5	-28.7	-34.7	-42.0
OPERATING CASH FLOW (a)	**26.8**	**71.3**	**138.7**	**138.8**	**150.9**
Capex	-21.0	-29.5	-25.0	-30.0	-35.0
Free Cash Flow	5.8	41.8	113.7	108.8	115.9
Investments	0.0	0.0	-77.0	-60.0	-58.0
Non-operating income	1.9	-21.6	0.0	0.0	0.0
INVESTING CASH FLOW (b)	**-19.1**	**-51.1**	**-102.0**	**-90.0**	**-93.0**
Debt Issuance / (Repaid)	-2.1	-2.5	1.5	1.5	1.5
Interest Expenses	-0.8	-0.6	-4.5	-5.6	-6.4
FCFE	2.9	38.7	110.6	104.7	111.0
Share Capital Issuance	0.0	0.0	0.0	0.0	0.0
Dividend	-0.2	-0.3	-32.1	-41.3	-50.4
Others	0.0	0.0	0.0	0.0	0.0
FINANCING CASH FLOW (c)	**-3.1**	**-3.4**	**-35.1**	**-45.3**	**-55.4**
NET CASH FLOW (a+b+c)	**4.6**	**16.8**	**1.6**	**3.5**	**2.6**

One Year Price Chart



Key Ratios

	FY21	FY22	FY23E	FY24E	FY25E
PROFITABILITY RATIOS (%)					
EBITDA Margin	6.6	12.9	13.9	13.5	13.5
EBIT Margin	1.1	8.9	10.2	10.4	10.8
APAT Margin	0.2	5.9	7.7	7.9	8.3
RoE	0.5	17.6	23.5	24.6	25.8
RoCE	2.5	26.0	30.6	31.8	33.0
Solvency Ratio (x)					
Debt/EBITDA	0.2	0.0	0.0	0.0	0.0
D/E	0.0	0.0	0.0	0.0	0.0
PER SHARE DATA (Rs)					
EPS	0.2	6.4	9.0	10.9	13.2
CEPS	3.8	9.6	13.3	15.1	17.5
Dividend	0.0	2.5	3.5	4.5	5.5
BVPS	29.8	35.5	41.0	47.3	55.1
Turnover Ratios (days)					
Debtor days	43.6	22.8	19.9	23.1	23.3
Inventory days	6.2	3.8	4.2	4.6	4.7
Creditors days	58.2	34.6	28.1	27.7	26.9
VALUATION					
P/E (x)	525.4	13.0	9.3	7.6	6.3
P/BV (x)	2.8	2.3	2.0	1.8	1.5
EV/EBITDA (x)	18.4	6.1	4.7	4.1	3.5
EV/Revenues (x)	1.2	0.8	0.7	0.6	0.5
Dividend Yield (%)	0.0	3.0	4.2	5.4	6.6
Dividend Payout (%)	0.0	43.5	39.0	41.4	41.6

(Source: Company, HDFC sec)

Varun Nitin Manek

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HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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