

Narayana Hrudayalaya (NH)

Industry	CMP	Recommendation	Buying Range	Target	Time Horizon
Healthcare	Rs. 332	BUY at CMP and add on Declines	Rs. 305-332	Rs. 373-422	3-4 Quarters

HDFC Scrip Code	NARHRU
BSE Code	539551
NSE Code	NH
Bloomberg	NARH
CMP as on 09 Jun - 17	332
Equity Capital (Rs Cr)	204.4
Face Value (Rs)	10
Equity O/S (Cr)	20.44
Market Cap (Rs cr)	6761
Book Value (Rs)	47
Avg. 52 Week Volumes	121083
52 Week High	385
52 Week Low	275

Company Background

Narayana Hrudayalaya operates a network of hospitals, diagnostic centers, clinical centers or test laboratories. The Company operates through Medical and Healthcare Services business segment. It offers medical, surgery, and diagnostics and support services. The Company provides services in the areas of cardiology; orthopedics; cosmetic surgery; anesthesia; imaging and radiology; nutrition and dietetics; physiotherapy; renal transplant; thoracic surgery; pediatrics surgery; medical oncology; surgical gastroenterology; dermatology; hematology; rheumatology; neurology; psychiatry and psychology, and others.

Promoted by Dr. Devi Shetty in 2000, NH operates a chain of 24 hospitals, 7 heart centres and 19 primary care facilities in India and 1 hospital in Cayman Islands with ~5,900 operational beds. The company has a presence across 18 locations in India and also 1 multispecialty hospital in Cayman Islands. The Cayman Island Hospital is JV between NH and Ascension Health in which NH holds ~29% Stake. NH provides specialty treatment in cardiology and cardiac surgery, cancer care, neurology and neurosurgery, orthopedics, nephrology and urology, and gastroenterology.

Dr. Devi Prasad Shetty has over 30 years of medical experience and is a renowned Pediatric Cardiologist. He is supported by his son, Mr. Viren Shetty who looks after supply chain management. NH had come out with an IPO in December 2015 with offer for sale of 2.45 crore shares. The IPO was priced at Rs 250 per share. It got listed on Bourses in Jan 2016. The stock had closed on listing day at Rs 337.

Investment Rationale

A winning Business model

Six core capabilities underpin NH's successful business model: i) creation of a pan-India network with strong regional presence, ii) an asset r(l)ight model, reflecting existing network's cost/bed of ~ Rs 2.8mn, iii) ability to attract high-quality doctors, iv) focus on package offerings, v) focus on clinical excellence and innovation, and vi) High corporate credibility, which has enabled NH to emerge as a 'partner of choice' for various institutions.

Shareholding Pattern (%)	
Promoters	63.9
Institutions	30.1
Non Institutions	06.0

PCG Risk Rating*	Yellow
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* Refer to Rating explanation

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Ability to attract high quality doctors

NH's strong reputation for clinical excellence and ethical practice combined with competitive compensation packages helps it attract quality doctors and medical staff from both India and overseas (Indian nationals returning home). The access to high quality medical talent has contributed mainly to NH's healthcare model's success.

Poised for long-term growth

The Indian private healthcare space is a secular growth story, given scarce public sector healthcare investments, growing life expectancies, and increasing disease burden. NH is amongst the most scalable models in the private healthcare space with its proven success in providing large-scale, high-quality tertiary care at affordable prices. Given 23% EBITDA CAGR over FY17-19E, valuations at 20x FY19E EV/EBITDA are compelling versus listed Indian peers. Given significant growth opportunities, the management's ability to calibrate NH's expansion will be critical to its success.

Strong Brand Name and robust growth prospects justifies premium valuations

In the near term, price control on stents and losses in the new hospitals could slowdown growth for the next two years however as hospitals gain maturity it would start contributing meaningfully to Profitability. NH has posted 17.4% revenue and 33% EBITDA cagr over FY15-17. Company's margin has seen an increase of 270bps over the same period. Overall, we see NH to post 17.5% revenue growth along with 100bps margin expansion to 13.2%. We forecast 23% EBITDA CAGR over FY17-19E led by operating leverage and as new hospitals gain maturity, with 12-15% RoE/RoCE. We recommend investors' to BUY Narayana (NH) at CMP of Rs 332 and add on dips to Rs 305 with Sequential targets of Rs 373 and Rs 422 over the next 3-4 quarters.

FY17 Performance Highlights

One of the remarkable aspects of FY17 results is consolidated PAT at Rs 83cr compared to Rs 21.2cr, a remarkable increase of 290% yoy, which has been contributed significantly by strong pickup of operations at overseas hospital in Cayman Island, with units expanding its services offering through the programs of plastic surgery, interventional radiology and interventional neurology. In spite of just completing three years of operation, this facility has achieved an EBITDA margin of 13.3% in the last quarter, which translates to an overall EBITDA margin of 7.6% for the full year.

Net debt to EBITDA ratio, as on March 2017 is 0.7x, amongst the lowest in the industry.

In the beginning of fiscal 2018, company forge a partnership to run at 300-bed capacity hospital Dharamshila Narayana Hospital located in East Delhi, which is presently a focused oncology unit and is in the process of upgradation into a leading multi-specialty hospital. The hospital with more than 20 years of track record of profitable operations has developed strong brand recognition in the region.

NH acquired a near complete hospital in Southwest part of national capital region in Gurugram to strengthen newly formed northern cluster. This 230 bedded facility is expected to get commissioned within next nine months. NH will pay Rs 180cr for the same.

Both these facilities are intended to consolidate our footprint in the Northern region and would enable us to serve the region's fast expanding healthcare space.

Strong operating performance

Narayana Hrudayalaya (NH) reported 22% yoy EBIDTA growth to Rs 60cr while. The growth is commendable given concerns on regulation of stent pricing and demonetisation issues. For FY17, company reported 31% yoy growth in EBITDA to Rs 228cr. For FY17, consolidated revenues grew 16% yoy to Rs 1878cr. The growth was aided by newer hospitals and steady 13% growth in mature hospitals. Cluster wise, Karnataka (7 hospitals) grew by 21% yoy, Eastern (9 hospitals) grew by 14% yoy and others (6 hospitals) grew by 33% yoy in revenues. OPM for quarter came in at 12.4% (up 100bps yoy and qoq). For FY17 company reported OPM of 12.2% (up 140bps YoY). Interest charges were down 13% yoy on the back of reduced debt. Further Cayman facility generated positive EBIDTA. Strong Operating performance led to PAT of Rs 22.3cr (+21% qoq).

Other Key highlights for FY17

In FY17, mature hospitals generated ~Rs 1330cr (+13% yoy growth) revenues with EBITDAR of 24.7%. Occupancy was 64% and witnessed ARPOB (Avg. Rev per occupied Bed) of Rs 8mn/bed vs. Rs 7mn in FY16. Recently NH mark its entry into NCR market with 2 acquisitions (~530 capacity bed additions) which will give them head start unlike setting up of its hospital on its own in fast growing NCR market. The company indicated that impact of stent pricing is ~Rs40cr/year however it has taken some price rationalisation measures which will negate impact to large extent. Cayman continues to generate positive EBIDTA level during the quarter (13.3% OPM). Net debt remained flat qoq to Rs 182cr (0.2x). Occupancy for Q4 FY17 stood at 61% and for year FY17 it was at 61%.

In the past two months, Narayana Hrudayalaya (NH) has signed deals to add 530 beds in two hospitals in the national capital region (NCR) and has commissioned a 207-bed paediatric super-speciality hospital in Mumbai. Overall, NH has added 737 beds in the high-value healthcare markets of Mumbai/NCR which shows its ability to add new capacity in capital efficient manner compared to its peers. The positive EBITDA impact of this capacity addition would begin to reflect from FY20 onwards, bolstering NH's medium-term growth visibility and return ratios. In the near term, price control on stents and losses in the new hospitals may lead to lower growth in EBITDA.

“Affordable healthcare” model remains core strategy: NH sees significant growth for its “quality healthcare at affordable prices” model in metro markets. The strong initial response from various stakeholders to its newly commissioned Mumbai paediatric hospital, especially the doctor community, reinforces this view. Higher contribution from metro-based hospitals could raise NH’s consolidated ARPOB and profitability metrics over the medium term.

India emerges as a low cost destination for Medical Tourism

With the industry shift towards the private sector, India has emerged as a low cost destination for medical tourism. The medical tourism industry is expected to grow from US \$3.9 bn in 2015 to US \$8 bn by 2020. The large players like Apollo Hospitals, Narayana Hrudayalaya (NH), Fortis, and Max India have emerged across India and have helped in improving the quality of services offered. In 2015, the top tier hospitals comprised 40% of the healthcare spending in India, with 30% from nursing homes, 19% from Government hospitals and 11% from mid-tier hospitals. The public private partnerships (PPP) model has enabled investments in treating advanced diseases and also offering multiple specialty treatments under one roof.

India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost competitive compared to its peers in Asia and Western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe.

Apart from the steps taken by the government to ensure inclusive healthcare, medical tourism too can step up the sector’s growth. Given the state-of-the-art private tertiary/quaternary facilities in India and the rising credibility of India’s medical fraternity, people from the world over are travelling to India to benefit from the cost arbitrage (~30-50% cheaper). Majority of the people being from Russia, Sri Lanka, US, UK, South East Asia and others. During past five years, medical tourism has posted healthy 15-18% cagr and we expect the growth momentum to accelerate further and it is expected to post ~25% cagr over the next five years.

Healthcare Sector Outlook

The US\$ 60bn Indian healthcare industry is estimated to grow at 12% CAGR over the next five years. The healthcare industry is capacity-constrained with just seven beds per 10,000, vs. the global median of 27 and only 0.6 doctors per 1,000 vs. the global average of 1.5. It is largely private sector driven, with 58% of total spend being out-of-pocket. Also, healthcare spend at 4% of GDP is much below global peers’ (Avg. ~6%). Most of the potential demand and the capacity shortage, though, is outside top cities (which are well served), and we believe affordable care is needed to service this segment. However, private players have found it difficult to address the affordable healthcare segment given its cost structure.

Government Initiatives

India's universal health plan that aims to offer guaranteed benefits to a sixth of the world's population will cost an estimated Rs 1.6 trillion (US\$ 23.72 billion) over the next four years.

Some of the major initiatives taken by the Government of India to promote Indian healthcare industry.

In the Union Budget 2017-18, the overall health budget increased from Rs 39,879 crore (US\$ 5.96 billion) (1.97% of total Union Budget) to Rs 48,878 crore (US\$ 7.3 billion) (2.27% of total Union Budget). In addition, the Government of India made following announcements in the Union Budget 2017-18:

Narayana is one of India's leading private "affordable" healthcare providers with a network of 24 hospitals. It has a dominant position in south and east India, and is the national leader in cardiac and renal care. NH's target segment is the low- to mid-income patients, and it has built a strong brand around affordable pricing (ARPOB 30% below peers). The business model – facilities, investment model (PPP partnership with government and trusts/charities) and doctor compensation – allows NH to address the tertiary care demand in cities outside the top 10. More importantly, although it is affordable, the company has recorded margins similar to peers with better returns. The "asset-right" model reduces its capex cost and allows it to expand without balance sheet constraints.

NH invests in hospital under a calibrated asset-right model. This calibrated approach has allowed Narayana to achieve an effective capital cost per bed of Rs 2.8 mn vs. ~Rs 8mn for most peers.

There are three key models of operations:

- Hospitals that it owns and operates;
- Third-party hospitals and heart centres that it operates, a share of revenues;
- Hospitals that it operates on a lease or licence basis

While the older hospitals are owned by the company or promoters, most of the recent expansion and the future expansions will follow a partnership model. Under this model, NH engages partners that invest in and own the fixed assets, primarily land and building, while NH invests in and owns only the medical equipment and operates and manages the hospital. There is typically a revenue share agreement with the partner. The partners in most of the cases are government agencies or not-for-profit charity organizations. This partnership has allowed NH to reduce its capex requirements for a new hospital significantly. The company has been able to implement this due to the brand reputation of both the hospital and the promoter, Dr. Devi Shetty. Narayana's affordable packages along with charity work by the promoters have helped make 'Narayana Health' a well-recognised brand. This has positioned it as a partner of choice for governmental bodies, not-for-profit trusts and charities, and private organisations seeking partners to operate and manage their healthcare facilities

Key Highlights

- ✓ Establishing a strong footprint in Mumbai and NCR is one of the key imperatives of NH's new growth strategy. Management sees significant growth potential for its differentiated "affordable healthcare model" in these markets.
- ✓ An asset-light model (rental/revenue share basis) is the preferred mode of expansion, with the company open to investing in land/buildings for select strategic assets.
- ✓ With the two recent transactions in the NCR (acquisition of a hospital in Gurgaon and partnership with Dharamshila Hospital in East Delhi), NH has acquired critical size in the region. We expect NH to keep exploring opportunities to build on this presence.
- ✓ Commissioning the Mumbai pediatric hospital marks NH's entry into Mumbai. We expect NH to actively explore M&A options to further enhance its presence in the region.
- ✓ NH has invested ~Rs 300cr to acquire > 700 beds in the high value Mumbai/NCR regions, these new hospitals should generate fairly attractive returns over the medium term.
- ✓ With its scalable business model, strong near- and medium-term earnings growth visibility, strong balance sheet and superior return ratios; NH is our top pick in the multi-specialty hospital space.

Dharamshila hospital partnership

NH has entered into a definitive agreement with the partner with Dharamshila Cancer Foundation & Research Centre to provide healthcare services at Dharamshila Hospital & Research Centre in Delhi. Dharamshila Hospital is a large, well-established 20 year old facility with 300 operational beds, located in Noida (near East Delhi). The facility, currently focused on oncology, will be upgraded to a state-of-the-art super-specialty tertiary care unit with limited incremental capex. This is an asset-light transaction for NH, as it is not acquiring the hospital's assets. NH will pay rental/revenue share to the hospital owner as is the norm in such transactions.

Given the strong brand equity of the Dharamshila unit, 300 operational beds with low capacity utilisation, and prospects to increase capacity utilisation by converting the hospital into a multispecialty set-up, we estimate NH could report significant Revenue/EBITDA growth for this unit in the coming years. The financial impact of the deal is likely to be relatively limited in the near term, but is strategically positive as it showcases NH's ability to continuously add capacity at fairly attractive terms.

Gurugram hospital acquisition

Narayana Hrudayalaya Limited (NH) agreed to acquire a 100% stake in New Rise Healthcare Private Limited (NRHPL) from Panacea Biotech Limited and PanEra Biotech Private Limited. According to the agreement's terms, NH would acquire 100% of the equity and preference shares of NRHPL for cash of Rs 180cr.

NRHPL is a multi-speciality hospital with 230 beds, located in the south western NCR. Its construction is near complete. It is likely to be commissioned in the next 8-9 months. This hospital will enable NH to expand in the NCR and complement its recent acquisition of the East Delhi hospital (Dharamshila Narayana Super speciality – 300 operational beds), which will be upgraded to a multi-speciality tertiary care unit from the current oncology-focused unit.

NH commissioned Mumbai paediatric hospital in Apr 2017

NH commissioned its 207 capacity bed SRCC Children's Hospital at Haji Ali Park, Mahalaxmi in Mumbai on April, 2017. This hospital is designed to be a premier super speciality, tertiary care "children only" hospital in the region. NH has set up this hospital through the asset light model with limited capex investments.

NH already operates one of the World's largest paediatric care unit at its flagship Narayana Institute of Cardiac Sciences facility in Bengaluru and is seeking to leverage its expertise in paediatric care through this Mumbai unit. The hospital has all the paediatric super specialities under one roof including Paediatric Cardiology, Paediatric Cardio Vascular Surgery, Paediatric Neurology, Paediatric Neuro Surgery and Paediatric Haemato Oncology amongst others. The hospital also has a complete rehabilitation program which intends to take care of allied patient care services like paediatric physiotherapy, psychometric analysis, behavioural counselling amongst others.

With 17.3% revenue and 33% EBITDA CAGR over FY15-17, NH's operating performance has stood out among peers, who have been grappling with growth challenges over the past few quarters. Notably, given a significant portion of NH's revenues comes from cash paying patients, its H2 FY17 performance has also been partially impacted by the government's demonetization moves. With most of its existing hospitals growing steadily, we expect NH's base business to maintain its growth rate going forward, with the new hospitals beginning to contribute meaningfully to profit from FY20 onwards as they gain maturity.

Impact of stent price control remain concern for near term

In February 2017, the NPPA (National Pharmaceutical Pricing Authority) imposed price control on stents used by hospitals. Given that cardiac science accounts for ~50% of NH's consolidated revenues, this price control action could have significant negative implications for NH's profitability. NH is working on multiple cost and revenue rationalisation measures to mitigate the impact. While near-term earnings will be impacted by the price controls imposed on stents, we expect this to decline in the coming quarters due to the measures being taken by the company.

This comes as a huge relief to the patients who have to undergo coronary angioplasty+ to insert stents to open up clogged arteries. Over six lakh stents were estimated to have been used in angioplasties in India in 2016. The cost of a drug eluting stent currently ranges between Rs 24,000 and Rs 1.5 lakh and that of a bioresorbable (Naturally Dissolving) stent is Rs 1.7 lakh to Rs 2 lakh. Over 95% of stents used in India are drug eluting.

NH, a multi-specialty hospital chain that delivers quality but affordable healthcare, has a differentiated and scalable business model in the high potential Indian hospital space. NH's proven success in adding capacity using an asset-light framework adds to its attractiveness. We expect NH to continue to trade at a premium to peers, who are grappling with slow profitability growth, weak return ratios and capacity enhancement constraints.

Key Trends which will be important for the healthcare sector

Shift from unorganised to organised players

We believe structural drivers and strong business models are in place to propel mid-teens overall growth. However, private players in the sector will witness faster growth over next 5 years. The healthcare sector has one of the least penetration of organised players. As organised players become more customer-centric, outcomes-driven and prevention-focused and customers become more brand conscious, organised players will gain market share steadily and grow faster than the overall sector.

Low penetration of Health insurance throws immense Opportunity

In India, Health Insurance penetration remains in single digit (significantly lower) as compared to other developed countries. The higher penetration levels in the same would also drive growth prospects for Private players like Narayana.

RoCE/ RoE expansion for the sector

Capex has jumped to ~2.5x over the past 5 years. We believe the aggressive investment phase in the healthcare sector is now coming to an end and most players are now looking to sweat their land banks through brownfield expansion. Over the next 5 years, overall quantum will fall to nearly half, thereby improving asset turnover. As players look to sweat their infrastructure and focus on business mix, the sector's EBITDA margin will inch up steadily. The net result of improved asset turnover and EBITDA margin will be a directional improvement in the sector's RoCE.

Medical Tourism

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Risks

Growth slowdown in key hospitals

NH's three key hospitals account for bulk of its operating profits and their sustained growth remains critical to meet the company's medium term financial objectives. Given that the three hospitals operate at significantly high operating profitability and occupancy levels, and are present in fairly competitive markets, their ability to sustain earnings growth momentum will be a key monitorable – especially in the backdrop of growth challenges seen for mature hospitals across listed peers.

Inability of the new hospitals to scale-up to expectations

At present, as many as ~10 of main NH hospitals are in early growth phase (yet to generate meaningful profitability). Some of these units – Ahmedabad, Jaipur and Hyderabad, which are not located in Karnataka/East clusters – have faced higher growth challenges. While the management remains optimistic on scaling up these units, similar to the three successful hospitals – in the next few years, the same needs to be monitored.

Ability to calibrate growth plans

NH's business model is increasingly making it a 'partner of choice' for various organisations such as state governments, non-profit organisations etc. that are looking for healthcare service players to manage and operate hospitals for them. This is likely to present a plethora of growth opportunities for NH, often involving fairly attractive commercial terms and limited upfront investments. It will be critical for the NH management to be highly selective in choosing the right growth opportunities and creating an expansion plan, which is aligned to its organisational capabilities.

Stakeholders' concerns on NH's profitability

Disclosures on NH's profitability, post its public listing, may prompt some stakeholders to reconsider the favourable commercial terms offered to NH. This may have implications on the quality of the future partnership deals that are offered to NH as some stakeholders might be uncomfortable in letting NH generate significant profits in the 'charity oriented' partnerships.

Financial Summary

(Rs Cr)	FY14	FY15	FY16	FY17	FY18E	FY19E
Sales	1094	1363	1614	1878	2211	2593
EBITDA	120	129	176	228	277	343
Net Profit	35	12	21	86	117	152
EPS (Rs)	1.7	0.6	1.0	4.2	5.7	7.5
P/E	192.8	545.2	320.1	79.1	57.9	44.5
EV/EBITDA	58.3	54.2	39.8	30.6	25.3	20.4
RoE	6.2	1.7	4.0	9.1	11.4	13.1

Source: Company, HDFC sec Research

Various procedures performed by NH

	Cardiac Surgeries	Cardiology Procedures	Dialysis Procedures	Kidney Transplants
FY13	11563	37878	110823	507
FY14	13208	47723	152825	655
FY15	14036	51458	184443	829
FY16	14785	54387	199509	326

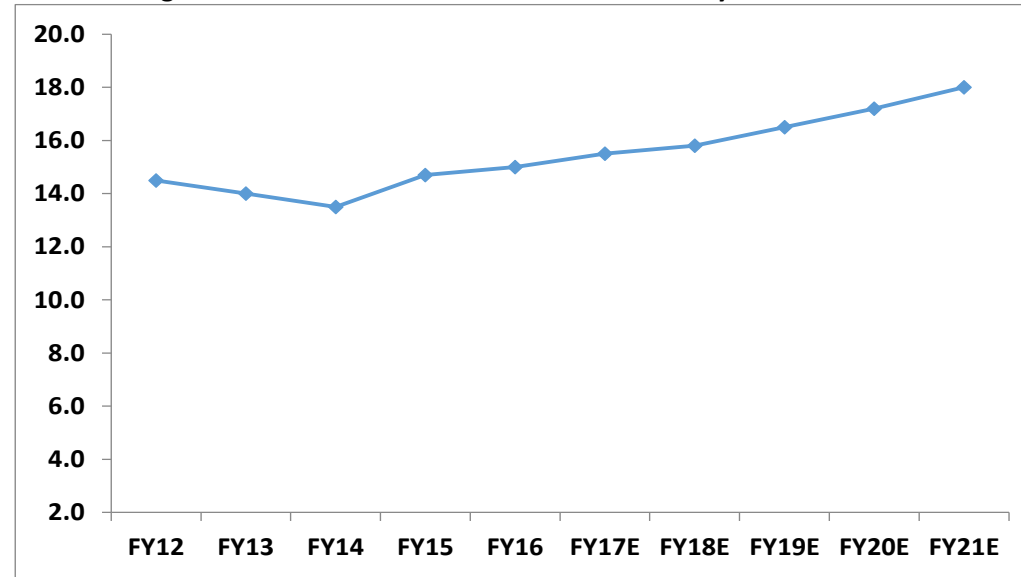
Source: Company, HDFC sec Research

Revenue Mix (%)

	FY13	FY14	FY15	FY16
Schemes	23	25	22	18
Insurance Covered, International and Corporate	16	17	19	22
Walk in Patients	62	59	60	60

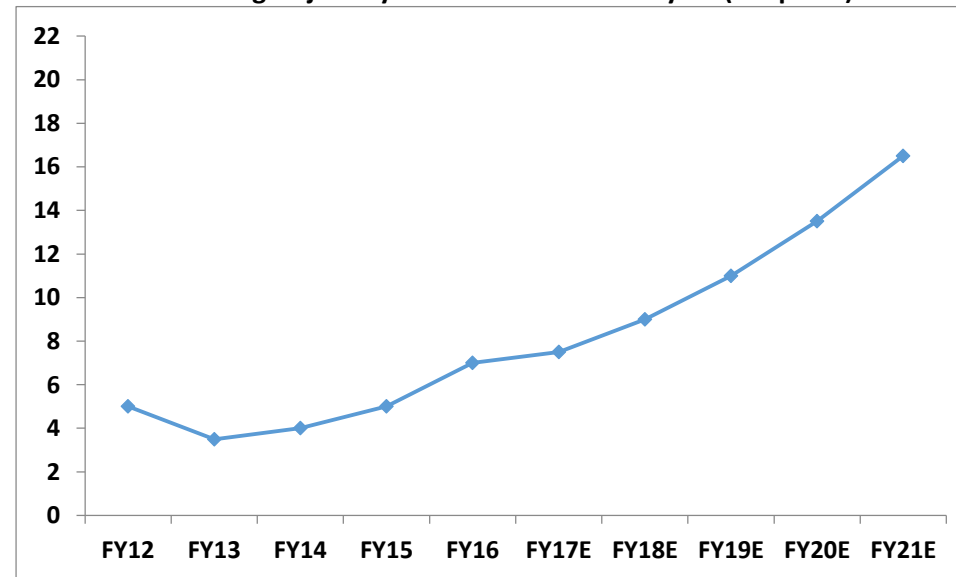
Source: Company, HDFC sec Research

EBITDA Margin for the Healthcare Sector to witness steady increase



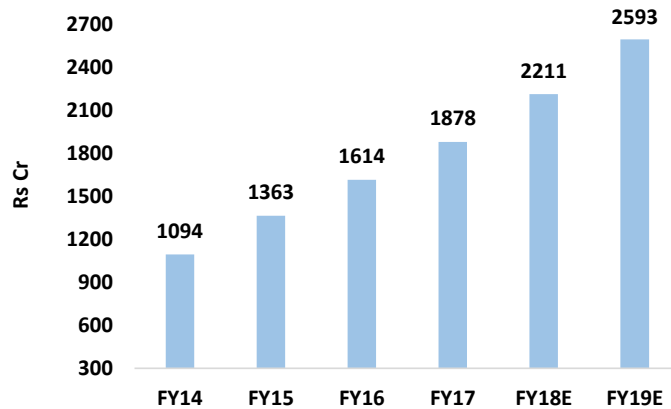
Source: Company, HDFC sec Research

RoCE to show strong trajectory for the Healthcare Players (Hospitals)



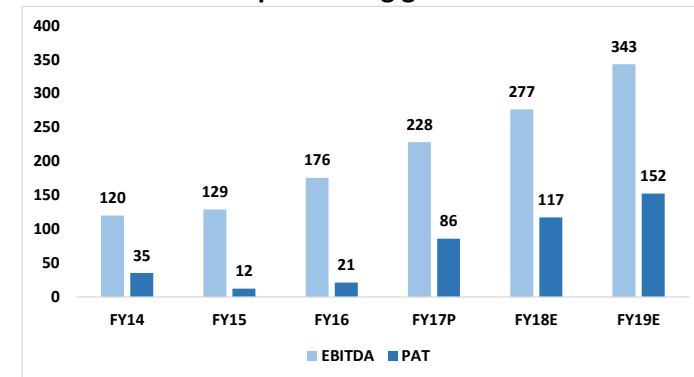
Source: Company, HDFC sec Research

Revenues to see ~18% cagr over FY17-19E



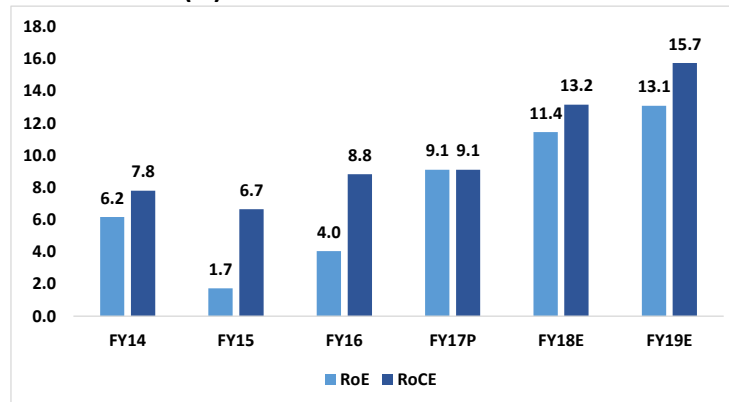
Source: Company, HDFC sec Research

EBITDA and PAT to post strong growth momentum



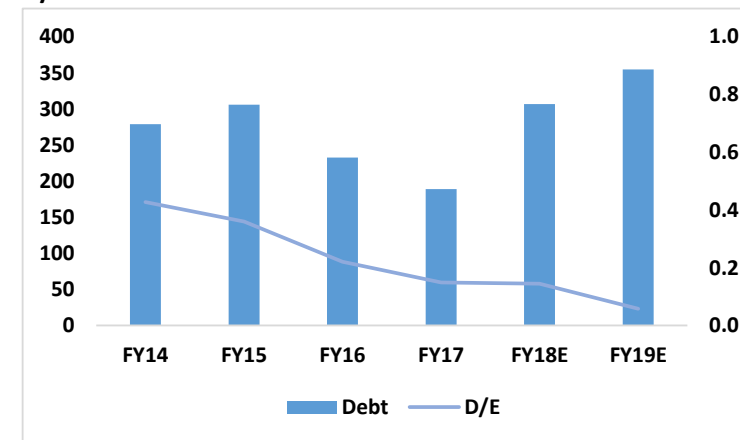
Source: Company, HDFC sec Research

Return Ratios (%)



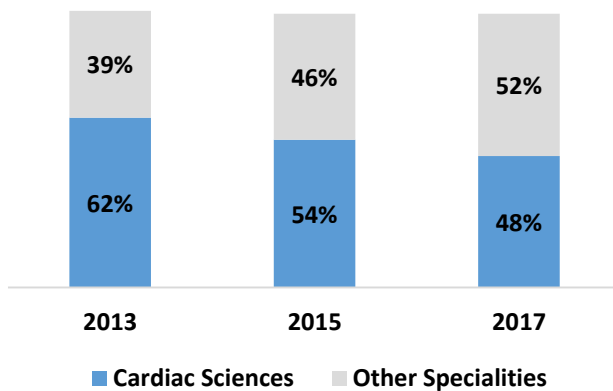
Source: Company, HDFC sec Research

D/E to see continuous decline



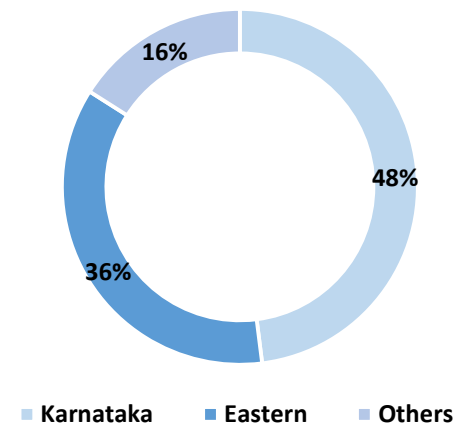
Source: Company, HDFC sec Research

Revenue Mix



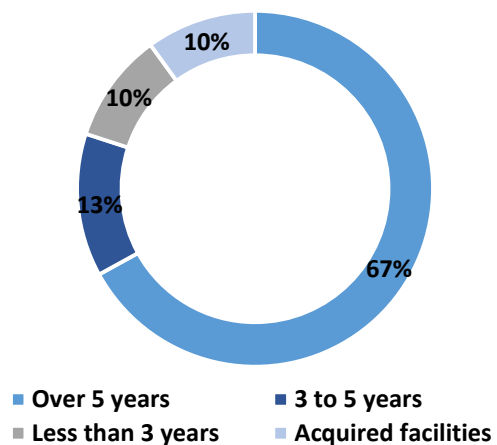
Source: Company, HDFC sec Research

FY17 - Cluster wise Split



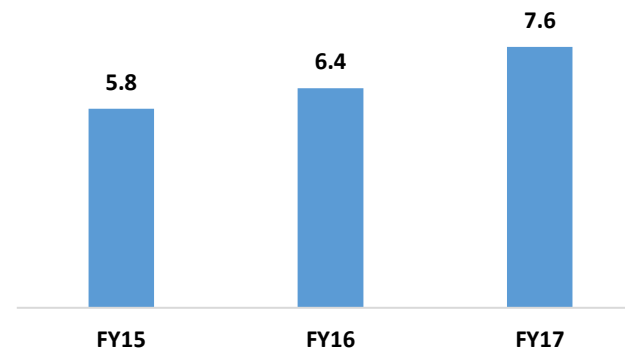
Source: Company, HDFC sec Research

Maturity wise hospitals Revenue Split



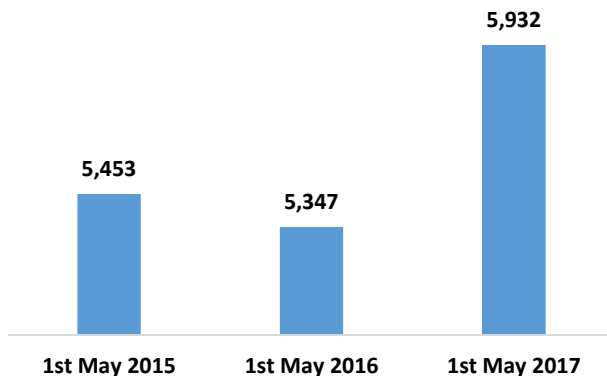
Source: Company, HDFC sec Research

Average realization per occupied bed (In Rs mn)



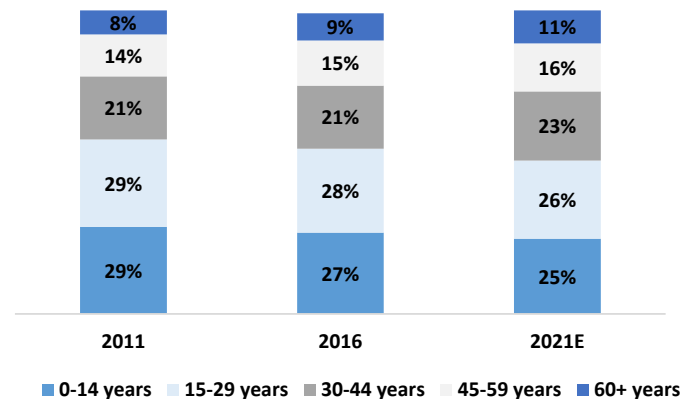
Source: Company, HDFC sec Research

Operational Bed Count



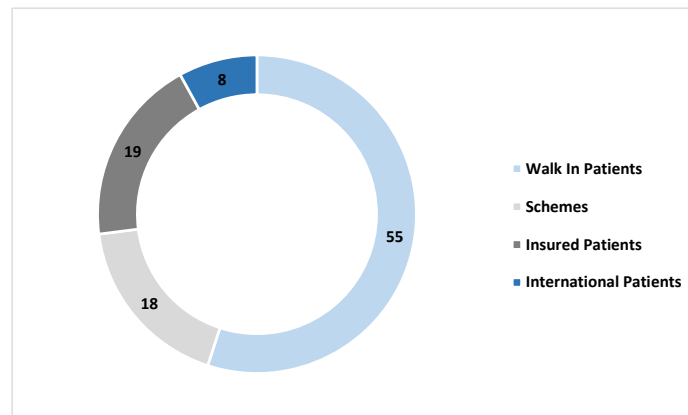
Source: Company, HDFC sec Research

Growing working class population in the age group 45-60 years



Source: Company, HDFC sec Research

FY17 - Revenue Mix



Source: Company, HDFC sec Research

Income Statement (Consolidated)

(Rs Cr)	FY15	FY16	FY17	FY18E	FY19E
Net Revenue	1363	1614	1878	2211	2593
Growth (%)	24.6	18.4	16.4	17.7	17.3
Operating Expenses	1234	1438	1650	1935	2250
EBITDA	129	176	228	277	343
Growth (%)	7.5	36.1	30.0	21.2	24.1
EBITDA Margin (%)	9.5	10.9	12.2	12.5	13.2
Depreciation	67	76	80	92	104
EBIT	62	100	148	185	240
Other Income	8	15	18	20	22
Interest	41	29	22	27	30
PBT	29	63	136	172	224
Tax	18	30	52	55	72
RPAT	12.2	21	86	117	152
Growth (%)	-65	74	305	36.6	30.0
EPS	0.6	1.0	4.2	5.7	7.5

Source: Company, HDFC sec Research

Balance Sheet (Consolidated)

(Rs Cr)	FY15	FY16	FY17	FY18E	FY19E
SOURCE OF FUNDS					
Share Capital	200.0	204.4	204.4	204.4	204.4
Reserves	565	672	759	879	1036
Shareholders' Funds	766	877	964	1085	1242
Long term Debt	207	188	180	250	278
Net Deferred Taxes	29	-12	5	-19	-19
Long Term Provisions & Others	11	13	15	18	20
Total Source of Funds	1027	1081	1189	1382	1535
APPLICATION OF FUNDS					
Net Block	860	1007	1074	1253	1365
Intangibles	3	3	3	3	3
Goodwill	59	59	58	58	58
Long Term Loans & Advances	124	98	119	138	169
Total Non - Current Assets	1046	1167	1254	1452	1595
Inventories	51	50	52	67	78
Trade Receivables	143	152	157	200	234
Cash & Equivalents	30	25	34	127	234
Other Current Assets	37	50	52	76	117
Total Current Assets	261	277	295	470	664
Trade Payables	137	161	189	232	247
Other Current Liab & Provisions	207	159	115	189	236
Total Current Liabilities	344	320	304	422	483
Net Current Assets	-83	-43	3	48	181
Total Application of Funds	1027	1081	1189	1382	1535

Source: Company, HDFC sec Research

Cash Flow Statement (Consolidated)

(Rs Cr)	FY15	FY16	FY17	FY18E	FY19E
Reported PBT	29	63	136	172	224
Non-operating & EO items	-8	-15	-18	-20	-22
Interest Expenses	41	29	22	27	30
Depreciation	67	76	80	92	104
Working Capital Change	20	-84	-8	12	-26
Tax Paid	-18	-30	-52	-55	-72
OPERATING CASH FLOW (a)	131	40	160	228	237
Capex	-189	-63	-130	-170	-140
Free Cash Flow	-58	-23	30	58	97
Investments	-1	48	0	0	0
Non-operating income	8	15	18	20	22
INVESTING CASH FLOW (b)	-182	0	-113	-150	-118
Debt Issuance / (Repaid)	-20	-19	-8	70	28
Interest Expenses	-41	-29	-22	-27	-30
FCFE	-119	-72	0	101	95
Share Capital Issuance	197	4	0	0	0
Dividend	0	0	0	0	0
FINANCING CASH FLOW (c)	136	-44	-30	43	-2
NET CASH FLOW (a+b+c)	85	-4	18	121	118

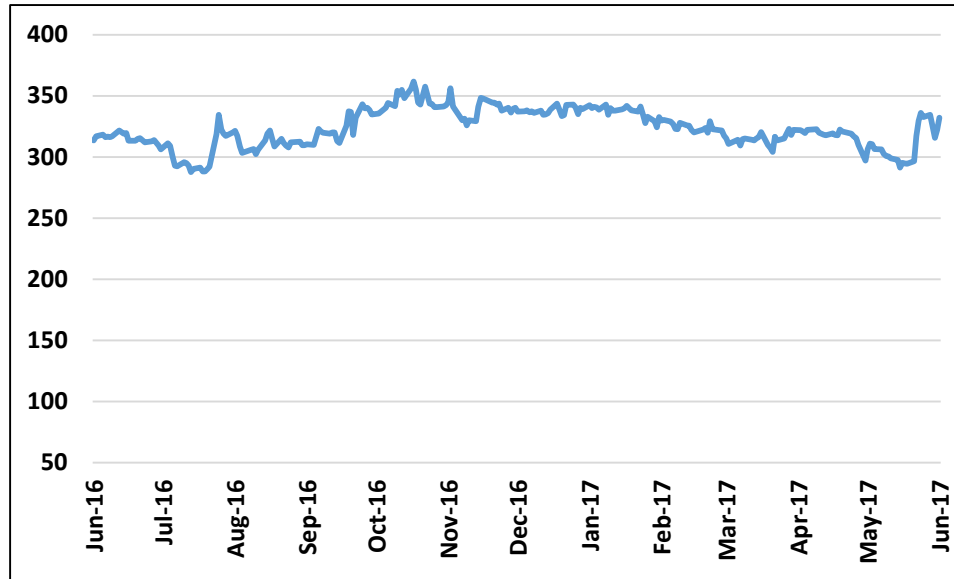
Source: Company, HDFC sec Research

Key Ratio (Consolidated)

Key Ratios (%)	FY15	FY16	FY17	FY18E	FY19E
EBITDA Margin	9.5	10.9	12.2	12.5	13.2
EBIT Margin	4.5	6.2	7.9	8.4	9.2
APAT Margin	0.9	1.3	4.6	5.3	5.9
RoE	1.7	4.0	9.1	11.4	13.1
RoCE	6.7	8.8	11.6	13.2	15.7
Solvency Ratio					
Net Debt/EBITDA (x)	2.1	1.1	0.6	0.6	0.2
Net D/E	0.4	0.2	0.1	0.1	0.1
Interest Coverage	3.1	6.0	10.4	10.3	11.4
PER SHARE DATA					
EPS	0.6	1.0	4.2	5.7	7.5
CEPS	4.0	4.8	8.1	10.2	12.5
BV	37.5	42.9	47.2	53.1	60.8
Dividend	0.0	0.0	0.0	0.0	0.0
VALUATION					
P/E	545.2	320.1	79.1	57.9	44.5
P/BV	8.9	7.7	7.0	6.3	5.5
EV/EBITDA	54.2	39.8	30.6	25.3	20.4
EV / Revenues	5.1	4.3	3.7	3.2	2.7

Source: Company, HDFC sec Research

Price Chart



Rating Definition:

Buy: Stock is expected to gain by 10% or more in the next 1 Year.

Sell: Stock is expected to decline by 10% or more in the next 1 Year.

Rating Chart

R E T U R N	HIGH			
	MEDIUM			
	LOW			
		LOW	MEDIUM	HIGH
		RISK		

Ratings Explanation:

RATING	Risk - Return	BEAR CASE	BASE CASE	BULL CASE
BLUE	LOW RISK - LOW RETURN STOCKS	IF RISKS MANIFEST PRICE CAN FALL 20% OR MORE	IF RISKS MANIFEST PRICE CAN FALL 15% & IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 15%	IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 20% OR MORE
YELLOW	MEDIUM RISK - HIGH RETURN STOCKS	IF RISKS MANIFEST PRICE CAN FALL 35% OR MORE	IF RISKS MANIFEST PRICE CAN FALL 20% & IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 30%	IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 35% OR MORE
RED	HIGH RISK - HIGH RETURN STOCKS	IF RISKS MANIFEST PRICE CAN FALL 50% OR MORE	IF RISKS MANIFEST PRICE CAN FALL 30% & IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 30%	IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 50% OR MORE

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