



Research Report



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ACCURATE FUTURE INSIGHT

RetailEquityResearch

Apollo Hospitals Enterprise Ltd

Healthcare (Medical Care Facilities)

BSE CODE: 508869

NSE CODE: APOLLOHOSP

Bloomberg CODE: APHS:IN

SENSEX: 36594.36

CMP* (Rs)	1,403.40
Sector	Healthcare
Industry	Medical Care Facilities
Bloomberg Ticker	APHS:IN

HOLD

Target Price: Rs 1390

KEYCHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Company Profile

Apollo Hospitals was set up in 1983, Chennai, India by Dr. Prathap C Reddy, prestigious as the modeler of present day human services in India Apollo Hospitals has risen as Asia's preeminent coordinated medicinal services administrations supplier and has a strong nearness over the human services environment, including Hospitals, Pharmacies, Primary Care and Diagnostic Clinics and a few Retail Health models. The Group likewise has Telemedicine units across 10 nations, Health Insurance Services, Global Projects Consultancy, Medical Colleges, Medvarsity for E-Learning, Colleges of Nursing and Hospital Management and a Research Foundation. Also, 'ASK Apollo'— an online counsel entrance and Apollo Home Health complete the consideration continuum. Apollo Hospitals has been regarded by the trust of more than 120 million patients from more than 120 nations. At the center of Apollo's patient-driven culture is TLC (Tender Loving Care), the enchantment that rouses trust among its patients.

Hospitals	71
No. of Beds	12000
No. of Pharmacies	3400
No. of Primary Care clinics	Over 90
No. of Diagnostic centres	150
No. of Telemedicine Centres	110+
No. of Medical education centres and research foundation	Over 15

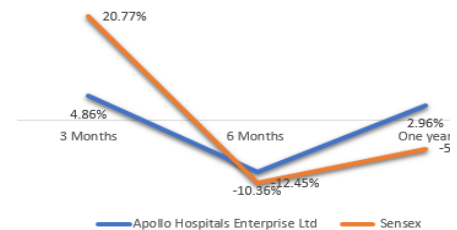
KEY HIGHLIGHTS

Company Data

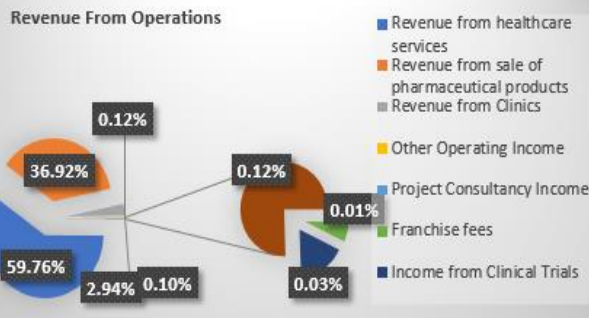
Market Cap (cr)	Rs.19340.48
Outstanding Shares (Cr)	1391.3
Dividend Yield	0.42%
52 week high	Rs. 1,814.00
52 week low	Rs. 1,047.45
Beta	0.23
Face value	Rs.5

Shareholding %	Q2 FY20	Q3 FY20	Q4 FY20
Promoters	30.80	30.80	30.81
FIIS	47.73	48.84	46.92
DIIS	13.87	13.35	14.78
Government	0.23	0.23	0.23
Public	7.37	6.77	7.25

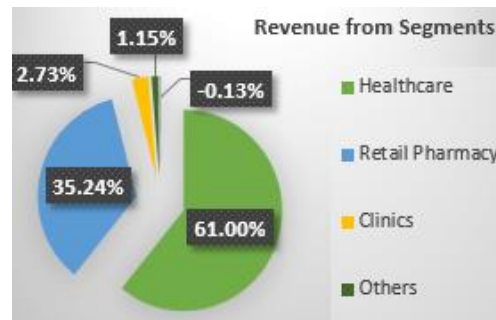
Price Performance	3 M	6M	1 year
Absolute Return	4.86%	-10.36%	2.96%
Absolute Sensex	20.77%	-12.45%	-5.61%
Relative return	-15.91%	2.09%	8.57%



Revenue From Operations



Revenue from Segments



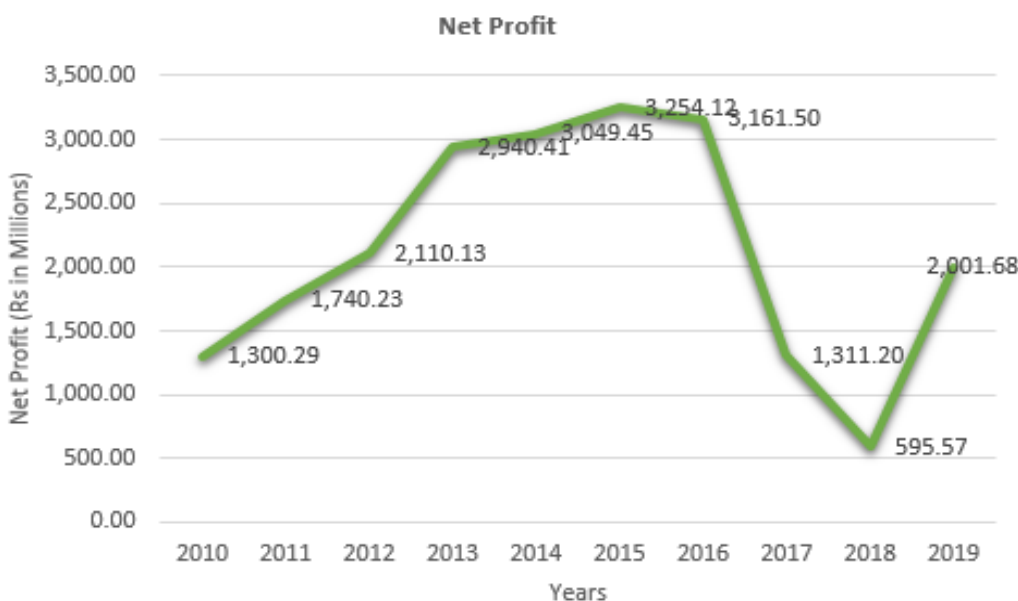
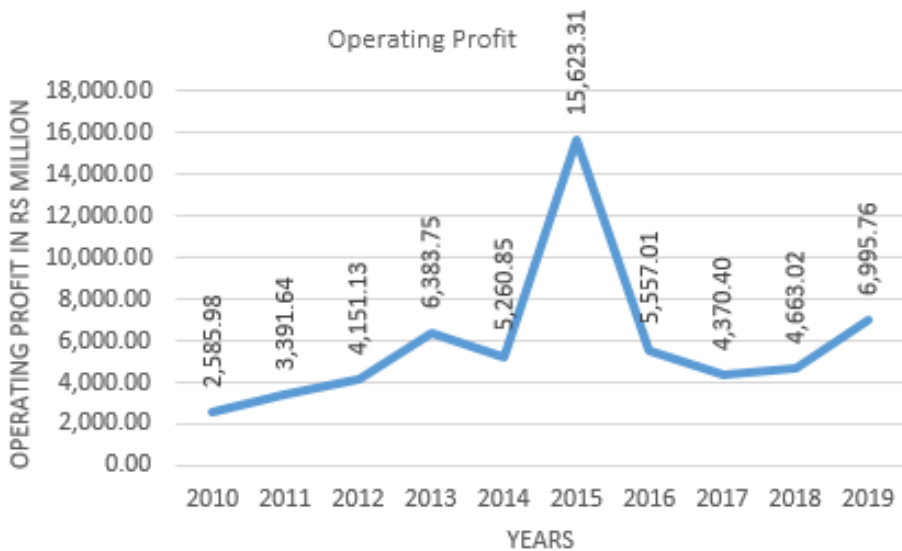
Research Intern

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FINANCIAL HIGHLIGHTS



Key Highlights/Comments

The revenue grew from FY 18 to 19 by 17% due Increase in Number of beds, Online services, Increase in Number of In-patient and Out-patient, Increase in Number of Standalone pharmacies and also mix improvements and pricing in existing hospitals

Operating Expense of the company such as Material cost, labour cost has increased in line with the growth in operating revenues. Also Depreciation increased due to capital expenditure incurred. The increase in operating profit in FY 19 is 50% from FY 18 is because the sales have increased at a greater rate and management has managed its expenses efficiently.

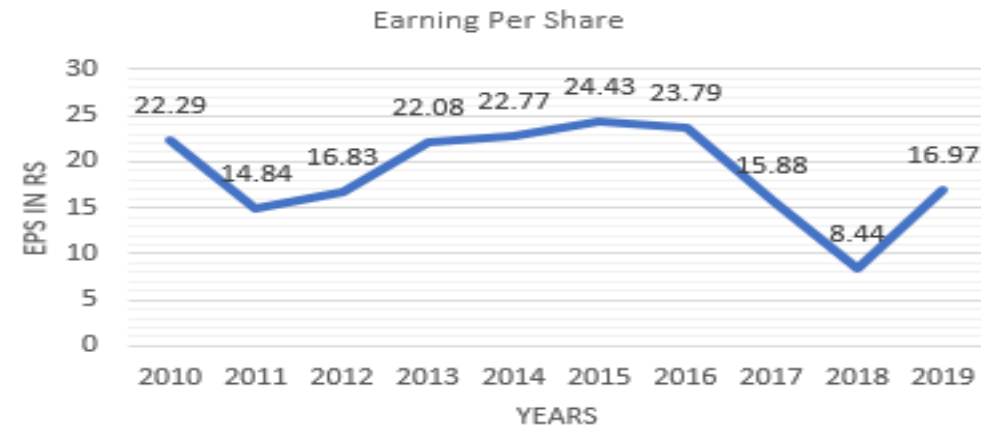
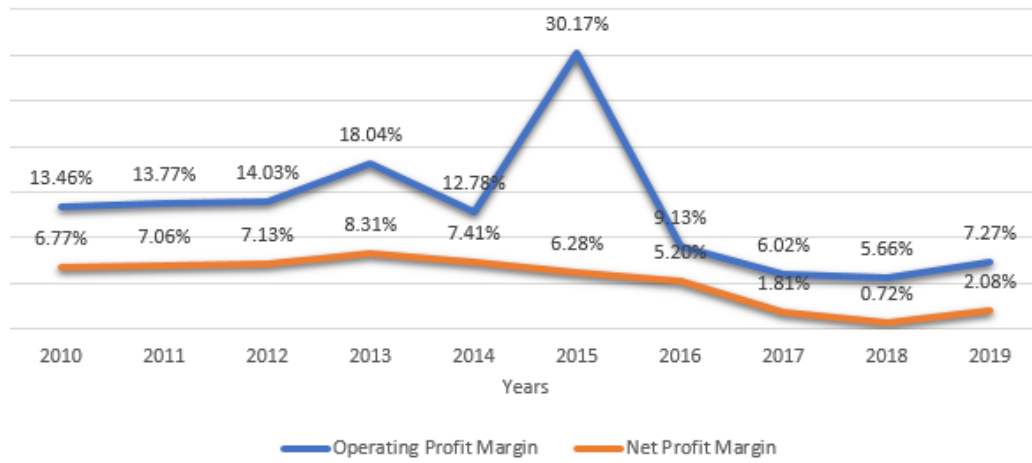
Even though finance cost increased due to interest on funds deployed in commissioning of new hospital projects as well as for construction in progress at other facilities. but the acquisition of one direct subsidiary, 3 step down subsidiaries and one new joint venture lead to increase in Net profit by 236% in FY 19

Key Highlights/Comments

Operating profit margins has increased in FY 19 it indicates that the company is managing its cost and increasing its profits.

Net profit margin has increased which means company is more efficient at converting sales into actual profit

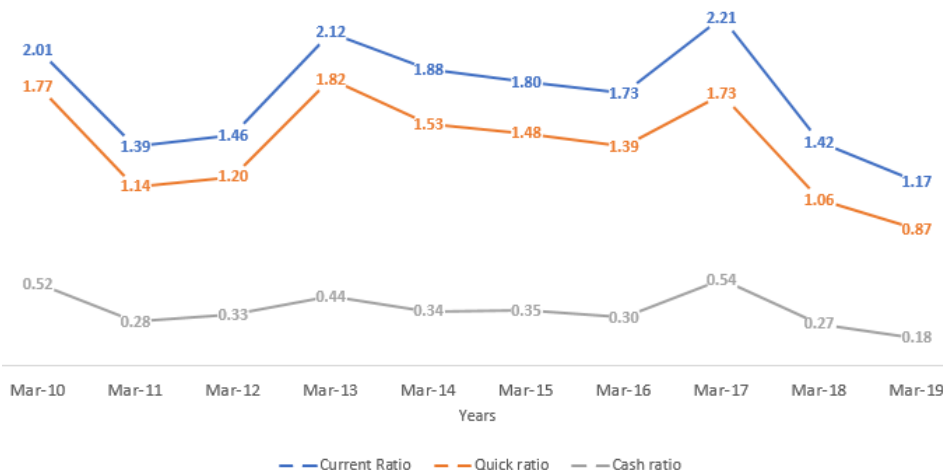
Since Net Profit increases in FY 2019, The Company's Earning per share has also increased



Rs in Millions	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
Sales	19206.51	24636.56	29577.07	35394.29	41171.21	51784.53	60855.88	72557.03	82434.68	96174.37
Sales Growth%	0.00%	28.27%	20.05%	19.67%	16.32%	25.78%	17.52%	19.23%	13.61%	16.67%
Operating Profit	2585.98	3391.64	4151.13	6383.75	5260.85	15623.31	5557.01	4370.40	4663.02	6995.76
Operating Profit Margin	13.46%	13.77%	14.03%	18.04%	12.78%	30.17%	9.13%	6.02%	5.66%	7.27%
Net Profit	1300.29	1740.23	2110.13	2940.41	3049.45	3254.12	3161.50	1311.20	595.57	2001.68
Net Profit Margin	6.77%	7.06%	7.13%	8.31%	7.41%	6.28%	5.20%	1.81%	0.72%	2.08%
EPS (In Rs)	22.29	14.84	16.83	22.08	22.77	24.43	23.79	15.88	8.44	16.97
CAPEX	0.00	2713.64	5319.19	4623.94	5046.88	7309.14	6648.06	10790.07	5282.84	6107.54
Capex Growth%	0.00%	0.00%	96.02%	-13.07%	9.15%	44.82%	-9.04%	62.30%	-51.04%	15.61%

Key Highlights/Comments

Liquid fund is used to service existing debt, finance internal growth and deploy funds for capital expenditure. Hence Liquidity ratio shows fall in FY 19.



KEY FINANCIAL SUMMARY

Rs in Millions	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
PAT	1,300.29	1,740.23	2,110.13	2,940.41	3,049.45	3,254.12	3,161.50	1,311.20	595.57	2,001.68
P/E	16.37	31.75	37.95	37.75	40.22	55.89	55.67	73.47	125.91	71.95
P/B	1.34	3.05	3.41	4.20	4.25	5.86	5.41	4.73	4.38	4.91
Debt/Equity	0.95	0.89	0.70	0.75	0.79	1.00	1.14	1.36	1.55	1.65
ROE	7.75	9.05	8.38	10.64	10.18	10.03	8.82	3.81	1.76	5.77
ROCE	12.45	11.32	11.69	12.24	11.50	10.61	9.16	6.70	6.62	9.69
ROIC	5.52	6.18	6.37	7.77	7.09	6.47	5.28	1.98	0.90	2.91
ROA	4.87	4.80	4.93	6.08	5.68	5.02	4.11	1.61	0.69	2.18
EV/EBITDA	6.85	6.08	5.62	5.55	5.77	6.52	7.42	8.38	8.66	6.88

INDUSTRY OVERVIEW

Healthcare has become one of India's largest sectors - both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services and increasing expenditure by public as well private players. CAGR is 22.9% from 2015 to 2020. The healthcare market can increase three-fold to Rs 8.6 trillion (US\$ 133.44 billion) by 2022. Indian medical tourism market is growing at the rate of 18 per cent year on year and is expected to reach US\$ 9 billion by 2020. India's competitive advantage lies in its large pool of well-trained medical professionals. India ranks 145th among 195 countries in terms of quality and accessibility of healthcare.



SWOT ANALYSIS

STRENGTHS

- Strong brand position
- Extensive reach
- Resilient business model
- Deep technological expertise
- Top clinical talent and professional management team
- Capacitised for growth

OPPORTUNITIES

- Changing demographics
- Twin disease burden
- Medical Value Travel
- High number of under-served and poorly served markets
- Changing consumer preferences
- Preventive Health and Wellness
- Digital solutions

WEAKNESSES

- Capital intensive
- Heavy regulatory burden
- Shortage of experienced doctors and skilled professionals
- Heterogeneous markets

THREATS

- Heightened competitive intensity
- Shortage of skilled manpower
- Discontinuance of leases
- Price regulation
- Rising Costs

**BALANCE SHEET (Rs in Millions)**

	FY -2017	FY-2018	FY-2019
ASSETS			
Non-current assets			
(a) Property, Plant and Equipment	42,093.10	43,785.64	45,937.93
(b) Capital work-in-progress	3,468.59	7,121.97	8,217.71
Intangible assets under development			
(c) Investment Property	77.65	71.48	65.31
(d) Goodwill	3,462.52	3,461.99	3,461.89
(e) Other Intangible assets	277.29	409.49	350.81
(f) Financial Assets			
(i) Investments in Equity Accounted Investee	2,785.06	2,763.51	3,654.45
(ii) Other Investments	216.94	177.65	273.72
(iii) Loans	-	-	108
(iv) Other financial assets	2,896.11	2,523.28	2,350.70
(g) Deferred Tax Asset	162.7	171.68	173.89
(h) Income Tax Asset (Net)	1,338.20	1,769.65	2,539.50
(i) Other non-current assets	3,122.54	1,670.30	1,879.46
Total Non - Current Assets	59,900.70	63,926.64	69,013.37
Current assets			
(a) Inventories	4,668.67	5,658.42	5,847.79
(b) Financial assets			
(i) Investments	1058.45	578.73	688.3
(ii) Trade receivables	7,505.34	8,251.88	10,231.98
(iii) Cash and cash equivalents	2,827.82	3,063.33	2,862.11
(iv) Bank balances other than (iii) above	2417.17	1109.15	607.49
(v) Loans		-	80
(vi) Other financial assets	1,395.68	2,198.51	1,287.03
(c) Other current assets	1,419.03	1,341.23	1,212.64
Total Current Assets	21,292.16	22,201.25	22,817.34
Total Assets	81,192.86	86,127.89	91,830.71
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share capital	695.63	695.63	695.63
Reserves and surplus			
Money received against share warrants			
Convertible non-participating preference share capital	34.5		
(b) Other equity	32,401.89	31,819.42	32,639.08
Equity attributable to owners of the Company	33,132.02	32,515.05	33,334.71
Capital Reserve			
Non-Controlling Interest	1,245.75	1,324.37	1,354.60
Share application money pending allotment			
Total Equity	34,377.77	33,839.41	34,689.31
Liabilities			
Non-current liabilities			
(a) Financial Liabilities			
(i) Borrowings	29,533.75	29,238.01	29,521.30
(ii) Other financial liabilities	5,188.49	4,721.11	4,773.64
(b) Provisions	46.14	62.31	114.4
(c) Deferred tax liabilities (Net)	2,413.15	2,565.09	3,148.65
(d) Other non-current liabilities	-	29.65	29.66
Total Non - Current Liabilities	37,181.53	36,616.17	37,587.65
Current liabilities			
(a) Financial Liabilities			
(i) Borrowings	706.87	3,791.72	4,981.63
(ii) Trade payables	5,011.93	6,060.24	7,131.18
Add : Share of Joint Ventures			
(iii) Other financial liabilities	1,896.42	4,066.79	4,960.77
(b) Other current liabilities	1,059.48	950.24	1,447.65
(c) Provisions	958.86	790.59	1,021.92
(d) Current Tax Liabilities (Net)		12.71	10.6
Total Current Liabilities	9,633.56	15,672.29	19,553.75
Total Liabilities	46,815.08	52,288.46	57,141.40
Total Equity and Liabilities	81,192.86	86,127.89	91,830.71

**INCOME STATEMENT (Rs in Millions)**

	FY-2017	FY-2018	FY-2019
Income			
Revenue from Operations	72,557.03	82,434.68	96,174.37
Add: Share in Joint Ventures			
Other Income	224.93	321.52	314.40
Total Income	72,781.96	82,756.20	96,488.77
Expenses			
Cost of materials consumed	13,662.11	14,609.72	16,448.76
Purchases of Stock-in-trade	22,800.05	26,498.74	30,875.51
Changes in inventory of stock-in-trade	-473.41	-781.85	-715.63
Add : Share of Joint Ventures			
Operative Expenses			
Administration & Other Expenses			
Employee benefits expense	11,964.98	14,043.91	15,982.39
Finance costs	2,573.50	2,950.68	3,270.16
Preliminary Expenses			
Deferred Revenue Expenditure			
Depreciation and amortisation expense	3,140.39	3,590.30	3,955.25
Selling & Distribution Expenses			
General Administrative Expenses			
Other expenses	17,317.44	20,132.36	22,946.73
Total expenses	70,985.06	81,043.86	92,763.17
PROFIT BEFORE EXCEPTIONAL AND EXTRAORDINARY ITEMS AND TAX	1,796.90	1,712.35	3,725.60
EXCEPTIONAL ITEMS			
Profit before extraordinary items and tax			3,725.60
Extraordinary Items			
Share of profit/loss of associate/ Joint Ventures	423.89	2.27	9.81
Interest			
Profit before tax	2,220.79	1,714.62	3,735.41
Tax expense			
(1) Current tax/ MAT	835.79	883.68	1,258.82
MAT Credit Entitlement			
Net Current Tax			
Add : Excess Provision of earlier years written back			
(2) Deferred tax	73.80	235.37	474.91
Add : Deferred tax Asset			
Total tax expenses	909.59	1,119.05	1,733.73
Profit for the year	1,311.20	595.57	2,001.68
Less : Minority Interest			
Profit After Minority Interest			
Add : Share in Associates			
Profit After Share In Associates			
Add : Surplus in Profit & Loss Account brought forward			
Other Comprehensive Income			
(i) Items that will not be reclassified to profit or loss			
(a) Remeasurement of the defined benefit plans	-335.41	-172.4	-288.4
(b) Equity instruments through other comprehensive income	0.51	0.4	-2.86
Income tax effect	115.9		
Total Other Comprehensive Income	-219	-172	-291.26
Total comprehensive income for the Year	1092.2	423.57	1710.42
Profit for the year attributable to:			
Owners of the Company	2209.9	1174.18	2360.46
Non-Controlling Interest	-898.7	-578.61	-358.78
Other Comprehensive Income for the year attributable to:			
Owners of the Company	-219	-171.1	-291.94
Non-Controlling Interest	-	-0.9	0.68
Total Comprehensive Income for the year attributable to:			
Owners of the Company	1,990.90	1,003.08	2,068.52
Non-Controlling Interest	-898.7	-579.51	-358.09
Earnings per equity share			
Basic (in Rs)	15.88	8.44	16.97
Diluted (in Rs)	15.88	8.44	16.97



PEER ANALYSIS

Company	EPS			P/E			P/B			ROA(%)			ROE (%)		
	Mar-17	Mar-18	Mar-19	Mar-17	Mar-18	Mar-19	Mar-17	Mar-18	Mar-19	Mar-17	Mar-18	Mar-19	Mar-17	Mar-18	Mar-19
Apollo Hospital Enterprise Ltd	15.88	8.44	16.97	73.47	125.91	71.95	4.73	4.38	4.91	1.61	0.69	2.18	3.81	1.76	5.77
Aster DM healthcare Ltd	0.22	5.75	6.63	0.00	29.08	23.31	0.00	3.00	2.36	1.43	3.76	4.11	4.33	8.83	9.98
Fortis Healthcare Limited	8.87	-19.46	-3.70	20.30	-6.34	-36.70	1.48	1.20	1.44	4.93	-10.84	-1.87	7.59	-17.57	-3.15
Dr. Lal PathLabs Ltd	19.02	20.85	24.19	50.87	41.95	43.59	13.50	9.25	9.30	22.40	18.64	18.26	25.95	21.67	21.06
Narayana Hrudayalaya Ltd.	4.10	2.53	2.92	76.46	110.14	73.20	6.65	5.50	4.04	5.04	2.02	2.24	8.62	4.95	5.47
Thyrocare Technologies Ltd.	7.99	17.39	15.95	89.57	34.57	33.26	9.42	7.29	6.44	9.78	19.47	17.93	10.50	21.04	19.56

Key Highlights/Comments

- By Comparing with other players EPS of Dr. Lal PathLabs Ltd is better than Apollo Hospital Enterprise Limited. However, there is great increase in Eps of Apollo Hospitals in FY 18 To FY 19
- Looking at PE ratio we can say that Apollo Stock is overvalued, but it indicates increase in future growth
- Talking about P/B ratio we can say that, Apollo PB is lower than its competitors.
- ROA is fluctuating like its peers
- Apollo is not using its equity capital efficiently compared to its peers

INVESTMENT THESIS

- Apollo Hospitals Enterprise Limited is stable stock
- Insurance companies have invested in the stock and insurance companies prefer less risky stock and good growth company.
- 30% of holding is of Promoters in the company which is good indicator, also recently the pledge amount was reduced but it did not affect the % of promoter holdings in company
- Market research is bullish for this stock.
- I recommend to buy the stock as the sales have increased also there is an increase in operating profit and net profit stating that the company is incurring its expenses efficiently.
- Currently the PE of the FY 2020 is 42.66 and industry PE is 40, So the Stock is not that overvalued.
- Also there is high increase in Sales growth year on year basis because of Current circumstance of COVID 19, there is great demand
- The target price at which the investor should buy will be Rs 1390.
- Investors can expect the stock to go up by Rs 1800

**General Disclosures and Disclaimers CERTIFICATION**

I, Anjali Nanda, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities.

COMPANY OVERVIEW

Factsheet, a sole proprietary, is engaged in services of Fundamental Analysis, Financial Modeling, Equity Research, Valuations and consulting. Factsheet prepares and shares research data, historical financial data and reports periodically with clients, investors, stake holders and general public. This is a sample report prepared by Interns for internship completion.

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