

Strong performance amid higher Covid treatment...

About the stock: From just four hospitals in April 2012, Shalby has grown to 11 hospitals. The company also has a network of 50+ outpatient clinics across 15 states in India and abroad, which act as a separate medium to tap new patients.

- The total bed capacity at 2112 (FY21), upcoming two units in Mumbai & Nashik would add another 321 beds
- Shalby registered a blended ARPOB of ₹ 27400 and ALOS of 5.42 days (without day care procedures) in FY21

Q1FY22 Results: Shalby reported strong Q1FY22 results on a higher base.

- Sales were up 32.6% QoQ to ₹ 192.4 crore
- EBITDA in Q1FY22 was at ₹ 38 crore, up 23% QoQ with margins at 19.9%
- Consequent adjusted PAT was at ₹ 20.2 crore (up 105.9% QoQ)

What should investors do? Shalby's share price has grown by ~1.3x over the past three years (from ~₹ 148 in July 2018 to ~₹ 193 levels in July 2021).

- We maintain our HOLD rating on the stock

Target Price and Valuation: We value Shalby at ₹ 210 based on SOTP valuation

Key triggers for future price performance:

- Shalby is a market leader in arthroplasty procedure (source: F&S Report). It has ~15% market share of all joint replacement surgeries conducted by organised private corporate hospitals in India
- Shalby has a debt free balance sheet, a unique feature among hospital chains, which are on expansion mode
- The management has set an inspirational target to achieve 2.5x sales in the next three to five years on the back of introduction of franchise model, better occupancies and new service offerings (home care & Shalby Care cards)

Alternate Stock Idea: Apart from Shalby, in our hospital coverage we like Narayana

- It has 21 hospitals, five heart centres, 19 primary care facilities and a multi-speciality hospital in Cayman Islands with in total 5992 operational beds
- BUY with target price of ₹ 620

SHALBY MULTI-SPECIALTY HOSPITALS

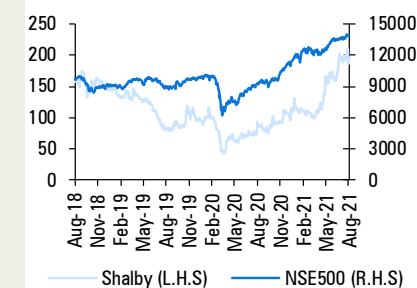
Particulars

Particular	Amount
Market Capitalisation	₹ 2128 crore
Debt (FY21)	₹ 36 crore
Cash (FY21)	₹ 84 crore
EV	₹ 2080 crore
52 week H/L	214/72
Equity capital	₹ 108.0 crore
Face value	₹ 10

Shareholding pattern

(in %)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promot	79.4	79.4	79.5	74.1	74.1
Others	20.6	20.6	20.6	25.9	25.9

Price Chart



Recent Event & Key risks

- Administered 1,00,000+ Covid vaccine in Q1FY22
- Key Risk:** (i) Faster ramp up in elective surgeries (ii) Higher competition in arthroplasty

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com
Mitesh Shah
mitesh.shah@icicisecurities.com

Key Financial Summary

Key Financials (₹ Crore)	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Revenues	461.0	486.9	430.9	8.2	654.4	673.6	25.0
EBITDA	82.2	81.7	86.4	9.2	105.0	114.6	15.2
EBITDA margins (%)	17.8	16.8	20.1		16.0	17.0	
Net Profit	31.7	27.6	42.4	3.1	52.2	57.7	16.7
EPS (₹)	2.9	2.6	3.9		4.8	5.3	
PE (x)	67.2	77.1	50.2		40.8	36.9	
EV to EBITDA (x)	25.8	25.9	23.9		19.4	18.0	
RoCE (%)	6.8	7.2	6.5		8.3	8.2	
ROE (%)	4.1	3.5	5.1		6.0	6.3	

Key takeaways of recent quarter & conference call highlights

Q1FY22 Results: Robust performance continues

- Revenues grew 32.6% QoQ to ₹ 192.4 crore on the back of likely sequential recovery in elective surgeries as well as increase in Covid treatments. EBITDA margins declined 147 bps QoQ to 19.9%, mainly impacted by Covid treatments. Subsequently, EBITDA increased 23.5% QoQ to ₹ 38.3 crore. PAT grew 105.9% QoQ to ₹ 20.2 crore due to lower tax rate. Note: With base year numbers impacted by the first Covid wave and lack of Covid related revenues, YoY results are not comparable
- Q1 topline was better than expectations while profitability was in line with estimates, mainly due to lower margins and tax rate. Q1 revenues reflect pre-Covid growth trajectory despite a second Covid wave

Q1FY22 Earnings Conference Call highlights

- During the quarter, there was a rise in Covid-19 patients while Covid revenue was at ₹ 100 crore
- Q1FY22 ARPOB: ₹ 27,779 (non Covid ARPOB: ₹ 30,000 and Covid ARPOB: ₹ 25,000)
- In-patients count was primarily driven by increase in Covid-19 patients while surgery count was impacted by second wave of the pandemic resulting in lower ARPOB
- Shalby administered 1,00,000+ vaccine with revenue contribution of ₹ 7.64 crore
- Revenue by specialty: critical care & general medicine – 50%, arthroplasty – 9%, oncology – 8%, orthopaedic – 4%, neurology – 3%, cardiac – 3%, nephrology – 2%, others – 22%
- Shalby recently acquired selected implant assets from Consensus Orthopedics like knee systems, mobile bearing knee systems, hip systems and revision knee systems
- Added two franchise partnership for Udaipur and Rajkot, which are expected to commence operations in Q2 FY22 and Q4 FY22
- Launched 'Shalby institute of Cardiac Sciences (SICS)' at Indore and Jaipur units
- Nashik hospital (175 bed capacity) to be operational by FY23 & Santa Cruz (146 bed capacity) by FY24

Exhibit 1: Variance Analysis

	Q1FY22	Q1FY21	Q4FY21	YoY (%)	QoQ (%)	Comments
Revenue	192.4	38.4	145.0	400.4	32.6	Covid patients treatments contributed ~₹ 100 crore in Q1FY22
Raw Material Expenses	13.3	5.4	7.9	147.1	68.1	
Employee Expenses	25.0	8.8	17.4	183.4	43.6	
Other Expenditure	115.8	29.1	88.7	298.3	30.5	
Total Operating Expenditure	154.1	43.3	114.0	256.0	35.1	
EBITDA	38.3	-4.8	31.0	LP	23.5	
EBITDA (%)	19.9	-12.6	21.4	3249 bps	-147 bps	QoQ decline mainly due to change in case mix
Interest	1.0	1.2	0.8	-15.8	31.3	
Depreciation	9.0	9.0	9.4	0.2	-4.1	
Other income	2.5	2.3	2.1	9.0	17.7	
PBT before EO	30.8	-12.7	23.0	LP	34.0	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	
PBT	30.8	-12.7	23.0	LP	34.0	
Tax	10.6	-4.0	13.2	LP	-19.7	
Minority Interest	0.0	0.0	0.0	NA	NA	
Adj. Net Profit	20.2	-8.7	9.8	LP	105.9	Delta vis-à-vis EBITDA amid lower tax rate and depreciation

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY22E			FY23E			Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Revenue	546.6	654.4	19.7	608.1	673.6	10.8	Changed mainly due to better-than-expected Q1FY22 revenues and addition of Shalby Consensus
EBITDA	106.2	105.0	-1.1	118.8	114.6	-3.5	
EBITDA Margin (%)	19.4	16.0	-338 bps	19.5	17.0	-252 bps	Decline mainly due to initial loss in Shalby Consensus
PAT	53.0	52.2	-1.5	59.1	57.7	-2.4	
EPS (₹)	4.9	4.8	-1.5	5.5	5.3	-2.4	Changed mainly in sync with operational performance

Source: ICICI Direct Research

Exhibit 3: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY20	487	5.6	2.6	-12.8	77.1	25.9	3.5	7.2
FY21	431	-11.5	3.9	53.6	50.2	23.9	5.1	6.5
FY22E	654	51.9	4.8	23.2	40.8	19.4	6.0	8.3
FY23E	674	2.9	5.3	10.6	36.9	18.0	6.3	8.2

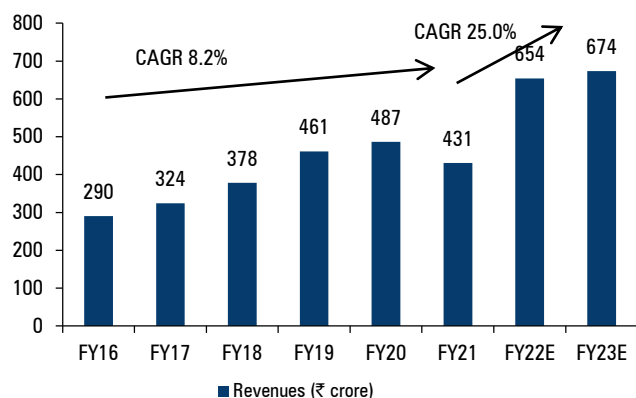
Source: ICICI Direct Research

Exhibit 4: Trends in Quarterly Performance

(₹ crore)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	YoY (%)	QoQ (%)
Total Operating Income	115.9	119.3	112.8	113.5	131.4	125.7	120.8	108.9	38.4	115.6	131.8	145.0	192.4	400.4	32.6
Raw Material Expenses	6.5	8.7	9.3	15.2	21.0	9.2	10.8	12.5	5.4	9.4	11.9	7.9	13.3	147.1	68.1
% of Revenue	5.6	7.3	8.2	13.4	16.0	7.4	8.9	11.5	14.0	8.2	9.1	5.5	6.9	-711 bps	146 bps
Gross Profit	109.4	110.6	103.5	98.3	110.4	116.5	110.0	96.4	33.0	106.2	119.9	137.1	179.0	441.8	30.6
Gross Profit Margin (%)	94.4	92.7	91.8	86.6	84.0	92.6	91.1	88.5	86.0	91.8	90.9	94.5	93.1	711 bps	-146 bps
Employee Expenses	15.2	15.9	16.4	17.1	16.8	16.5	16.1	16.1	8.8	14.3	16.5	17.4	25.0	183.4	43.6
% of Revenue	13.1	13.3	14.5	15.1	12.8	13.1	13.3	14.8	22.9	12.3	12.5	12.0	13.0	-995 bps	99 bps
Other Expenditure	69.5	71.9	67.5	66.0	64.2	72.0	72.1	77.8	29.1	62.4	72.6	88.7	115.8	298.3	30.5
% of Revenue	60.0	60.3	59.8	58.2	48.9	57.3	59.7	71.4	75.6	54.0	55.1	61.2	60.2	-1543 bps	-98 bps
Total Expenditure	91.3	96.6	93.2	98.3	102.1	97.7	98.9	106.4	43.3	86.1	101.0	114.0	154.1	256.0	35.1
% of Revenue	78.7	80.9	82.6	86.6	77.7	77.7	81.9	97.7	112.6	74.5	76.7	78.6	80.1	-3249 bps	147 bps
EBITDA	24.6	22.8	19.6	15.2	29.4	28.0	21.9	2.5	-4.8	29.5	30.8	31.0	38.3	LP	23.5
EBITDA Margin (%)	21.3	19.1	17.4	13.4	22.3	22.3	18.1	2.3	-12.6	25.5	23.3	21.4	19.9	3249 bps	-147 bps
Other Income	2.8	2.3	2.2	2.1	1.9	2.2	2.1	10.1	2.3	2.4	2.3	2.1	2.5	9.0	17.7
Interest	1.5	2.0	1.5	2.5	1.3	1.0	1.3	1.7	1.2	0.8	0.9	0.8	1.0	-15.8	31.3
Depreciation	8.3	8.4	8.6	7.9	8.9	9.2	8.9	9.0	9.0	9.2	9.3	9.4	9.0	0.2	-4.1
PBT	17.7	14.6	11.8	6.8	21.1	20.0	13.8	1.9	-12.7	21.9	22.9	23.0	30.8	LP	34.0
Total Tax	5.6	11.1	-1.6	3.6	-2.5	7.1	5.6	19.0	-4.0	-2.6	6.0	13.2	10.6	LP	-19.7
Tax rate (%)	32.0	75.9	-13.2	52.2	-12.0	35.4	40.8	1005.5	31.4	-11.9	26.4	57.5	34.5		
PAT	12.0	3.5	13.4	3.3	23.6	12.9	8.1	-17.1	-8.7	24.5	16.8	9.8	20.2	LP	105.9
PAT Margin (%)	10.4	3.0	11.8	2.9	18.0	10.3	6.7	-15.7	-22.6	21.2	12.8	6.8	10.5		
EPS (₹)	1.1	0.3	1.2	0.3	2.2	1.2	0.8	-1.6	-0.8	2.3	1.6	0.9	1.9		

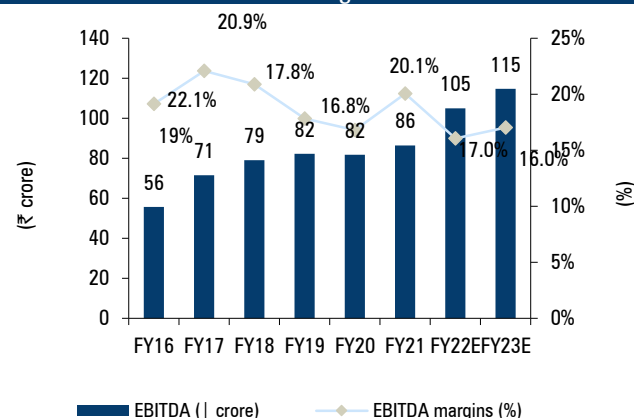
Source: ICICI Direct Research

Exhibit 5: Revenues to grow at CAGR of 25% over FY21-23E



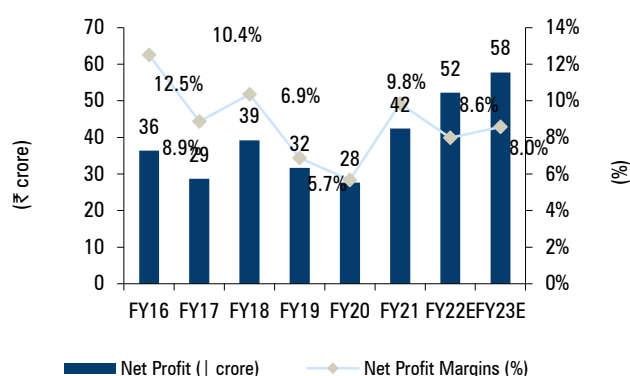
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA & EBITDA margins trend



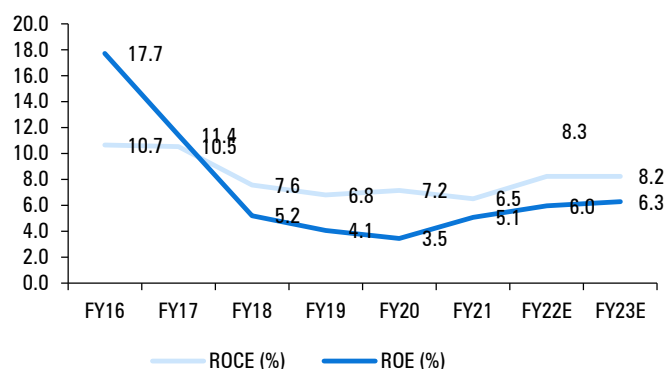
Source: ICICI Direct Research, Company

Exhibit 7: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 8: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 9: Valuation

Particulars	Valuation Matrix	Multiple (x)	EV (₹ cr)
Above 6 years	EV/EBITDA	16.0	1,422
below 6 years	EV/Sales	2.0	677
Others	EV/Sales	1.0	65.6
EV			2,165
Net Debt FY23E (₹ cr)			-65.6
Minority Interest			0.0
Targeted MCap (₹ cr)			2,231
No of shares (cr)			10.8
Per Share Value (₹)			210

Source: ICICI Direct Research, Company

Exhibit 10: ICICI Direct Universe Coverage (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Ajanta Pharma	AJAPHA	2239	2,695	Buy	19378	53.4	74.0	80.8	89.8	42.0	30.3	27.7	24.9	24.7	29.0	24.9	24.0	18.1	21.8	20.2	19.2
Alembic Pharma	ALEMPHA	758	885	Hold	14894	44.4	59.9	35.2	44.3	17.1	12.6	21.6	17.1	21.0	24.2	12.7	14.8	27.1	23.0	12.3	13.8
Apollo Hospitals	APOHOS	4133	3,870	Buy	59428	22.6	7.9	55.2	81.4	183.0	525.8	74.8	50.8	10.2	6.3	13.7	18.0	9.7	2.5	15.1	18.8
Aurobindo Pharma	AURPHA	826	1,165	Buy	48410	48.8	55.0	61.4	69.3	16.9	15.0	13.5	11.9	17.2	16.8	16.3	16.5	17.0	14.7	14.2	13.9
Biocon	BIOCON	374	400	Hold	44928	5.8	6.1	6.1	12.5	64.3	61.5	61.1	29.8	10.2	7.6	8.7	12.5	10.4	9.6	8.9	15.6
Cadila Healthcare	CADHEA	544	583	Hold	55692	14.0	21.5	20.8	22.0	38.9	25.3	26.1	24.8	10.7	12.6	13.1	12.9	13.8	16.9	12.6	12.1
Cipla	CIPLA	905	1,205	Buy	73009	19.2	29.9	35.5	41.6	47.1	30.3	25.5	21.7	12.0	16.3	17.9	18.4	9.8	13.1	14.0	14.5
Divi's Lab	DIVLAB	4915	5,815	Buy	130475	51.9	74.7	94.7	116.3	94.8	65.8	51.9	42.3	23.9	27.6	28.8	29.2	18.8	21.3	22.5	23.0
Dr Reddy's Labs	DRREDD	4708	5,250	Hold	78322	121.8	117.3	126.8	197.3	38.7	40.1	37.1	23.9	9.6	13.1	12.9	16.5	13.0	11.1	10.8	14.7
Glenmark Pharma	GLEPHA	571	750	Buy	16101	26.4	32.9	42.1	50.1	21.6	17.4	13.6	11.4	12.7	13.7	15.5	16.5	12.2	13.1	14.5	14.8
Hikal	HIKCHE	701	590	Hold	8647	8.1	10.8	16.5	19.6	86.6	64.9	42.5	35.7	12.8	15.1	17.2	18.4	12.2	14.3	18.1	17.9
Ipca Laboratories	IPCLAB	2387	2,560	Buy	30282	47.6	89.9	88.2	102.4	50.2	26.6	27.1	23.3	17.6	27.1	22.2	21.5	16.6	24.2	19.3	18.4
Jubilant Pharmova	JUBLIF	657	850	Buy	10465	44.6	37.4	59.9	84.9	14.7	17.6	11.0	7.7	11.7	13.7	18.2	22.4	12.7	12.6	16.9	19.5
Lupin	LUPIN	976	1,025	Hold	44299	-12.7	26.9	40.0	44.6	NA	36.3	24.4	21.9	9.7	9.0	12.6	13.2	-4.6	8.8	11.8	11.9
Narayana Hrudalaya	NARHRU	504	620	Buy	10294	6.4	-0.7	12.3	15.6	79.3	NA	40.9	32.4	11.0	1.2	14.5	16.8	11.4	-1.3	18.6	19.3
Natco Pharma	NATPHA	1049	1,010	Hold	19124	25.3	24.2	19.5	23.3	41.5	43.4	53.7	45.0	14.0	13.1	10.1	11.2	12.2	10.7	8.1	9.1
Sun Pharma	SUNPHA	777	800	Hold	186344	16.8	30.0	25.1	28.6	46.3	25.8	30.9	27.2	10.0	14.4	15.1	15.3	8.9	15.5	12.0	12.2
Syngene Int.	SYNINT	621	780	Buy	24820	10.3	10.1	11.0	15.6	60.2	61.3	56.3	39.8	14.5	11.5	13.1	16.6	16.8	13.5	13.6	16.1
Torrent Pharma	TORPHA	2900	3,250	Buy	49077	60.6	74.0	78.5	101.5	47.9	39.2	36.9	28.6	15.4	17.7	20.8	22.2	21.2	21.4	19.4	21.1
Shalby	SHALIM	197	210	Hold	2229	2.6	3.9	4.8	5.3	77.1	50.2	40.8	36.9	7.2	6.5	8.3	8.2	3.5	5.1	6.0	6.3
Aster DM	ASTDM	158	200	Buy	8217	5.7	3.0	10.8	15.0	27.7	53.4	14.6	10.5	7.2	5.4	9.2	11.1	8.7	4.4	13.8	16.1
Indoco Remedies	INDREM	520	575	Buy	3945	2.6	10.1	16.7	23.9	198.6	51.5	31.0	21.7	4.6	11.8	19.4	21.8	3.5	12.1	17.1	20.2
Caplin Point	CAPPOI	853	1,135	Buy	6756	28.4	32.0	40.8	47.4	30.0	26.6	20.9	18.0	26.5	25.4	26.1	25.6	22.7	20.4	21.1	20.0
Granules India	GRANUL	373	430	Buy	9741	12.4	22.2	23.6	28.7	30.0	16.8	15.8	13.0	15.2	24.0	23.4	24.2	16.7	25.3	21.5	21.0
Laurus Labs	LAULAB	708	785	Buy	34493	4.8	18.3	22.6	28.0	148.8	38.6	31.3	25.2	13.0	31.7	30.6	30.6	14.4	37.9	32.9	29.8

Source: ICICI Direct Research

Financial Summary

Exhibit 11: Profit and loss statement					₹ crore
Year-end March	FY20	FY21	FY22E	FY23E	
Total Operating Income	486.9	430.9	654.4	673.6	
Growth (%)	5.6	-11.5	51.9	2.9	
Raw Material Expenses	53.6	34.7	55.9	50.5	
Gross Profit	433.3	396.2	598.5	623.1	
Gross Profit Margins (%)	89.0	91.9	91.5	92.5	
Employee Expenses	65.5	57.0	85.7	89.0	
Other Expenditure	286.1	252.8	407.8	419.5	
Total Operating Expenditure	405.1	344.5	549.4	559.0	
EBITDA	81.7	86.4	105.0	114.6	
Growth (%)	-0.5	5.7	21.5	9.2	
Interest	5.4	3.6	3.8	3.6	
Depreciation	36.0	36.8	36.0	38.6	
Other Income	16.4	9.1	8.6	5.1	
PBT before Exceptional Items	56.7	55.1	73.8	77.5	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	56.7	55.1	73.8	77.5	
Total Tax	29.1	12.7	21.6	19.8	
PAT before MI	27.6	42.4	52.2	57.7	
PAT	27.6	42.4	52.2	57.7	
Growth (%)	-12.8	53.6	23.2	10.6	
EPS (Adjusted)	2.6	3.9	4.8	5.3	

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement					₹ crore
Year-end March	FY20	FY21	FY22E	FY23E	
Profit/(Loss) after taxation	36.6	45.9	52.2	57.7	
Add: Depreciation & Amortization	36.0	36.8	36.0	38.6	
Net Increase in Current Assets	-28.6	-5.7	-58.7	-0.1	
Net Increase in Current Liabilities	11.0	6.5	32.3	5.2	
Others	0.4	0.8	3.8	3.6	
CF from Operating activities	55.4	84.3	65.5	105.0	
Investments	-1.6	-34.3	20.0	0.0	
(Purchase)/Sale of Fixed Assets	-19.8	-27.6	-20.0	-110.0	
Others	-58.4	61.7	-4.9	-5.5	
CF from Investing activities	-79.8	-0.2	-4.9	-115.5	
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Dividend & Dividend tax	-6.5	-5.4	-10.8	-14.4	
Other	-15.0	-24.0	-3.8	-3.6	
CF from Financing activities	-21.5	-29.4	-14.6	-18.0	
Net Cash Flow	-45.9	54.8	46.0	-28.5	
Cash and Cash Equivalent	74.6	28.7	83.6	129.6	
Cash	28.7	83.6	129.6	101.1	
Free Cash Flow	35.6	56.7	45.5	-5.0	

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet					₹ crore
Year-end March	FY20	FY21	FY22E	FY23E	
Equity Capital	108.0	108.0	108.0	108.0	
Reserve and Surplus	691.2	726.6	768.1	811.4	
Total Shareholders funds	799.2	834.7	876.1	919.4	
Total Debt	48.7	35.5	35.5	35.5	
Deferred Tax Liability	17.8	22.8	23.2	23.7	
Minority Interest	0.5	0.0	0.0	0.0	
Other Non Current Liabilities	17.3	21.9	22.4	22.8	
Source of Funds	883.4	914.9	957.2	1,001.4	
Gross Block - Fixed Assets	771.9	795.8	815.8	835.8	
Accumulated Depreciation	109.6	146.4	182.4	221.0	
Net Block	662.3	649.4	633.4	614.8	
Capital WIP	6.4	7.5	7.5	97.5	
Goodwill	10.2	10.2	10.2	10.2	
Fixed Assets	678.9	667.1	651.1	722.5	
Investments	28.0	15.6	-4.4	-4.4	
Other non-Current Assets	37.9	42.6	46.9	51.6	
Deferred Tax Assets	16.0	15.6	17.2	18.9	
Inventory	15.2	23.0	35.0	36.0	
Debtors	94.9	87.8	133.4	131.2	
Loans and Advances	0.0	0.0	0.0	0.0	
Other Current Assets	67.0	61.2	62.4	63.7	
Cash	28.7	83.6	129.6	101.1	
Total Current Assets	205.9	255.7	360.4	332.0	
Creditors	60.2	57.6	87.4	90.0	
Provisions	0.7	0.6	0.6	0.7	
Other Current Liabilities	22.4	23.6	26.0	28.6	
Total Current Liabilities	83.2	81.7	114.0	119.3	
Net Current Assets	122.6	173.9	246.3	212.8	
Application of Funds	883.4	914.9	957.2	1,001.4	

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios					
Year-end March	FY20	FY21	FY22E	FY23E	
Per share data (₹)					
Reported EPS	2.6	3.9	4.8	5.3	
Cash EPS	5.0	6.3	7.2	7.6	
BV per share	74.0	77.3	81.1	85.1	
Cash per Share	2.7	7.7	12.0	9.4	
Dividend per share	0.9	1.0	1.0	1.3	
Operating Ratios (%)					
Gross Profit Margins	89.0	91.9	91.5	92.5	
EBITDA margins	16.8	20.1	16.0	17.0	
PAT Margins	5.7	9.8	8.0	8.6	
Cash Conversion Cycle	37.4	45.2	45.2	41.9	
Asset Turnover	0.6	0.5	0.8	0.8	
EBITDA conversion Rate	67.7	97.6	62.4	91.6	
Return Ratios (%)					
RoE	3.5	5.1	6.0	6.3	
RoCE	7.2	6.5	8.3	8.2	
RoIC	5.7	6.3	8.5	9.6	
Valuation Ratios (x)					
P/E	77.1	50.2	40.8	36.9	
EV / EBITDA	25.9	23.9	19.4	18.0	
EV / Net Sales	4.4	4.8	3.1	3.1	
Market Cap / Sales	4.4	4.9	3.3	3.2	
Price to Book Value	2.7	2.5	2.4	2.3	
Solvency Ratios					
Debt / EBITDA	0.6	0.4	0.3	0.3	
Debt / Equity	0.1	0.0	0.0	0.0	
Current Ratio	2.1	2.1	2.0	1.9	

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Siddhant Khandekar, Inter CA, Mitesh Shah, (cleared all 3 levels of CFA), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc. as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.