

Aug 30, 2013

**Apollo Hospitals Enterprise Ltd.**

BSE Code: 508869 NSE Code: APOLLOHOSP Reuters Code: APLH.NS Bloomberg Code: APHS:IN

Apollo Hospitals Enterprise Ltd (APOLLOHOSP), is an India-based company, which operates a private hospital group. The Company owns and manages 51 hospitals in and around India. In February 2013, Apex Partners LLP sold half of its stake in the Company to Oppenheimer Funds Inc. The company has launched two new hospitals - 200 bed Multispecialty hospital at Ayanambakkam, Chennai and a 140 bed Ortho and Spine Specialty Hospital at Jayanagar, Bangalore in Q4'FY13. The healthcare major plans to add another 950 beds in next 18 months and it expects EBITDA to grow from next quarter onwards. The growth in margins will depend on the ramp-ups at new hospitals.

## Investor's Rationale

**Topline grew 15.1% YoY on healthy growth across segment-** APOLLOHOSP, registered a healthy growth in its topline by 15.1% YoY at ₹8,950 mn in Q1FY'14 against ₹7,774mn on standalone basis primarily on account of robust growth across the segment (Healthcare Services by 11.5% at ₹5,909 mn, robust growth in pharmacy 22.8% at ₹3,042 mn and other segment grew 51.4% at ₹62 mn).

**EBITDA margin contracted 47bps on higher selling & distribution and new capacity addition-** The EBITDA of the company increased by 11.9% YoY at ₹1,459 mn. While, OPM declined 47bps at 16.3% against 16.8% mainly due to higher selling & distribution cost by 52% at ₹213 mn. Further, 2 new Hospitals in initial stages of operations, have reported operating losses of ~₹60 mn, further pressurized the operating margins

**Bottom-line grew 13.2% YoY, assisted by healthy sales and sharp fall in tax-** Despite of increase in interest & depreciation by 49.7% & 22.4% YoY at ₹205 mn & ₹307 mn respectively, the net profit grew 13.2% at ₹789 mn. This growth in bottom-line was assisted by robust sales across the segment, sharp fall in tax (15.3% at ₹220 mn) and increase in other income 51.4% at ₹62 mn. However, NPM contracted by 17bps YoY at 8.8% against 8.9%.

**Focused towards ramp-up of hospitals/stores-** The company has 51 hospitals with total bed capacity of 8,420 beds as on Q1FY'14, which includes 38 owned hospitals including JVs/ Subsidiaries and associates with 6,382 beds and 13 Managed hospitals with 2,038 beds. During the quarter, Apollo Pharmacies added 49 stores and closed 26 stores, with the net addition of 23 stores, the total store network stands at 1,526 operational stores as on Q1FY'14.

## Market Data

Rating	BUY
CMP (₹)	864
Target Price	970
Stop Loss	810
Duration	Short-term
52-week High-Low (₹)	1,096/618
Rise from 52WL (%)	39.8
Correction from 52WH (%)	26.8
Beta	1.3
1 year Average Volume (mn)	0.6
	3M- (10.4)
Stock Return (%)	6M- 4.0
	1Y- 34.8
Market Cap (₹bn)	120.2
Book Value (₹)	196.1

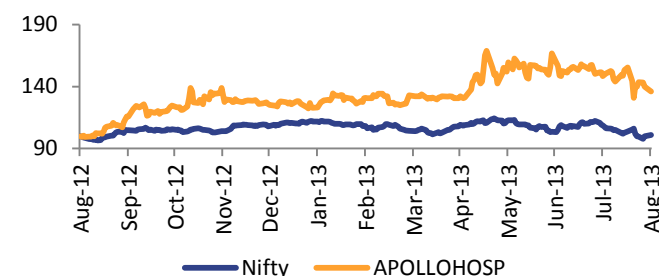
## Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	34.35	34.35	-
FII (%)	42.43	41.8	0.63
DII (%)	2.89	2.89	-
Public & Others (%)	20.33	20.96	(0.63)

## Quarterly Performance (Standalone)

(₹Mn)	Q1 FY'14	Q1 FY'13	Q4 FY'13	YoY Change(%)	QoQ Change(%)
Sales	8,950	7,774	8,483	15.1	5.5
Op. exp	7,491	6,470	7,155	15.8	4.7
EBITDA	1,459	1,304	1,328	11.9	9.9
OPM (%)	16.3	16.8	15.7	(47bps)	65bps
Net profit	789	697	755	13.2	4.5
NPM (%)	8.8	8.9	8.9	(17bps)	(10bps)
EPS (₹)	5.7	5.0	5.1	13.2	11.2

## One Year Price Chart





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