

# Apollo Hospitals Enterprise Ltd

Q3FY12 first cut: Maintaining strong growth momentum

Fundamental Grade 5/5 (Excellent fundamentals)

Valuation Grade 2/5 (CMP has downside)

Industry Healthcare Provider and Services

Apollo Hospitals Enterprise Ltd's (Apollo's) Q3FY12 standalone revenues and margins were in line with CRISIL Research's expectations; however, earnings were higher than expected. Revenues were supported by healthy growth in the pharmacy and healthcare services businesses. Earnings registered a strong growth due to decline in interest cost and higher other income. We may raise our earnings estimates post interaction with the management. We continue to remain positive on Apollo given the healthy growth prospects in the healthcare services industry and its dominant position in the organised healthcare market. We maintain our fundamental grade of **5/5**.

## Q3FY12 standalone result analysis

- Revenues grew 2.1% q-o-q (up 19% y-o-y) to Rs 7,148 mn, supported by healthy growth in the pharmacy and healthcare services businesses. The pharmacy business registered a growth of ~7.8% q-o-q (up 29.6% y-o-y) to Rs 2,246 mn. The healthcare services business was flat q-o-q (up 14.6% y-o-y) to Rs 4,903 mn due to seasonality; historically, the third quarter sees a decline in healthcare activity as it encompasses the festive season.
- EBITDA margin declined by ~60 bps q-o-q to 16.6% (increased 90 bps y-o-y) due to ~60 bps decline in the healthcare services margins. Margins in the pharmacy segment improved ~20 bps q-o-q (increased ~150 y-o-y).
- PAT grew by 9.6% q-o-q (up 41.1% y-o-y) to Rs 647 mn due to revenue growth, decline in interest costs and higher other income. PAT margin improved ~60 bps q-o-q (increased ~140 y-o-y) to 9%. The company reported EPS of Rs 4.8 vs. Rs 3.7 in Q3FY11.

## Valuations: Current market price has downside

We continue to use the discounted cash flow method to value Apollo and maintain our fair value of Rs 533 per share. Given the current market price, this translates to a valuation grade is **2/5**.

## KEY FORECAST (CONSOLIDATED)

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	16,142	20,265	26,054	29,232	34,311
EBITDA	2,288	3,032	4,189	4,938	5,878
Adj PAT	1,009	1,346	1,783	2,258	2,727
Adj EPS-Rs	8.4	10.9	14.3	16.7	19.6
EPS growth (%)	30.8	30.0	31.3	16.5	18.0
Dividend yield (%)	0.6	0.7	0.7	0.8	0.9
RoCE (%)	8.2	9.6	11.9	13.1	14.2
RoE (%)	7.1	8.5	10.1	10.4	10.3
PE (x)	74.5	57.3	43.6	37.5	31.8
P/BV (x)	5.0	4.6	4.2	3.4	3.1
EV/EBITDA (x)	34.4	27.4	20.4	18.0	15.5

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

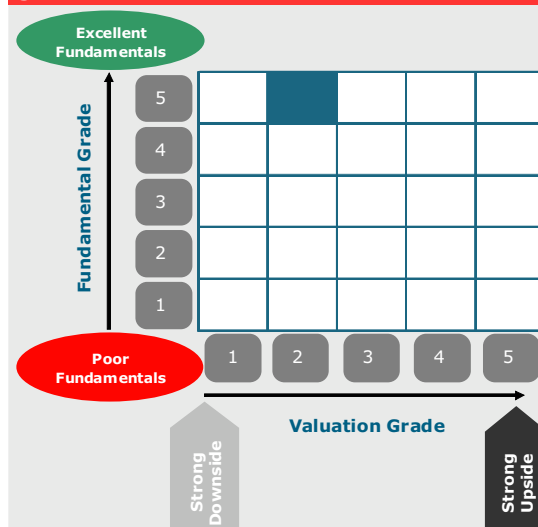


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Fair Value Rs 533

CMP Rs 624

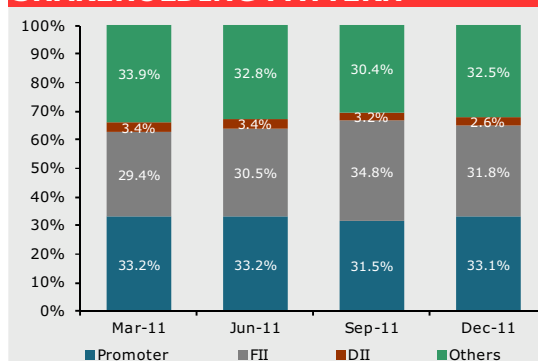
## CFV MATRIX



## KEY STOCK STATISTICS

NIFTY / SENSEX	5382/17749
NSE / BSE ticker	APOLLOHOSP
Face value (Rs per share)	5
Shares outstanding (mn)	134.5
Market cap (Rs mn)/(US\$ mn)	83,903/1690
Enterprise value (Rs mn)/(US\$ mn)	92,392/1861
52-week range (Rs) (H/L)	718/448
Beta	0.32
Free float (%)	66.9%
Avg daily volumes (30-days)	254,826
Avg daily value (30-days) (Rs mn)	159.0

## SHAREHOLDING PATTERN



## PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
APOLLO	6%	14%	20%	36%
NIFTY	11%	3%	4%	3%

## ANALYTICAL CONTACT

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