Retail Equity Research (South India Focus)

Healthcare Global Enterprises Ltd

Healthcare Services

BSE CODE : 539787 | NSE CODE: HCG
BLOOMBERG CODE: HCG:IN | SENSEX : 45,609

BUY

12M Investment period | Rating as per Small Cap

CMP Rs.146 TARGET Rs.189 RETURN 29%
(Closing: 08-12-20)

Established player in Oncology treatment

Healthcare Global Enterprises Ltd is one of India's leading oncology treatment specialists with presence across the country.

- **Healthcare Global Enterprises operates one of the largest private sector cancer treatment centres in India with 22 cancer centres.**
- **HCG has a 50% stake in Milann, one of India's leading providers of fertility treatment.**
- **In India, cancer treatment is an under-penetrated medical service where there are large gaps in both the diagnosis and treatment of the disease.**
- **Over the last 5 years, HCG's number of cancer centres have expanded from 17 to 22.**
- **The recent capital infusion will enable HCG de-leverage its balance sheet and focus on improving overall profitability.**
- **We initiate coverage on HCG with a BUY rating based on 12x FY23E EV/EBITDA with a target price of Rs.189.**

One of the largest oncology specialists in India

Healthcare global enterprises operates one of the largest private-sector cancer treatment centres in India with 22 cancer centres and 3 multispecialty hospitals across Karnataka, Maharashtra, Gujarat and other states. Additionally, it has a 50% stake in Milann, one of India's leading providers of fertility treatment. It also owns and operates 3 cancer diagnostic centres.

Cancer treatment remains under-penetrated in India

In India, cancer treatment is an under-penetrated medical service where there are large gaps in both the diagnosis and treatment of the disease. Up to half the actual incidence of cancer in India is usually not identified at any stage. Further, cancer mortality in the country is about 68% of the actual incidence. The number of cancer cases globally is set to increase by at least 50% by 2035. Given HCG's goals, there is great scope to address this growing demand for cancer treatment.

Nearing the end of its capex cycle

Over the last 5 years, HCG's number of cancer centres have expanded from 17 to 22. During this period the company has focused on expanding its presence in metros like Mumbai and Kolkata as well as tier-2 and tier-3 towns. The company will now shift its focus primarily on scaling up its operations and operating efficiency at these new centres and limit its overall losses.

New capital infusion to de-leverage balance sheet

In June 2020, CVC capital partners, a private equity firm, acquired a 36% stake for Rs.130/share in HCG with an infusion of ~Rs.600cr. The management has indicated that the proceeds will be used to de-leverage its balance sheet which was leveraged to fund its capex cycle in the last few years. This would be a huge boost to the company as it focuses on ramping up its operation at its new and mature centres.

Valuations…

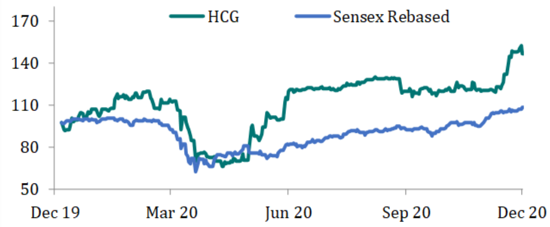
While the Covid-19 pandemic and the subsequent lockdown in different parts of the country has impacted its performance in the last two quarters, we expect to see a recovery in footfalls and average revenue per operating bed as lockdown restrictions ease in different parts of the country. The main focus for HCG will now be towards reducing losses at its new centres in Tier-1 cities like Mumbai and Kolkata while improving margins and profitability at its mature centres. The recent investment by CVC will enable the company the deleverage its balance sheet and remove a key overhang on the stock. Considering these factors, we initiate coverage on HCG with a BUY rating based on 12x FY23E EV/EBITDA with a target price of Rs.189.

Company Data	
Market Cap (cr)	Rs.1,830
Enterprise Value (cr)	Rs.2,170
Outstanding Shares (cr)	12.5
Free Float	33%
Dividend Yield	-
52 week high	Rs.160
52 week low	Rs.63
6m average volume (cr)	0.01
Beta	0.8
Face value	Rs.10

Shareholding (%)	Q4FY20	Q1FY21	Q2FY21
Promoters	23.9	23.9	66.9
FII's	25.1	22.5	6.4
MFs/Insti	29.6	26.1	13.7
Public	21.4	27.5	13.0
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	25.8%	20.7%	50.1%
Absolute Sensex	19.4%	36.0%	12.6%
Relative Return*	6.4%	-15.3%	37.5%

over or under performance to benchmark index



Consolidated (cr)	FY21E	FY22E	FY23E
Sales	989	1,185	1,316
Growth (%)	*(9.8)*	*19.8*	*11.1*
EBITDA	135	190	217
EBITDA Margins %	13.7	16.0	16.5
PAT Adj.	(103)	(24)	16
Growth (%)	-	-	-
Adj.EPS	(8.2)	(1.7)	1.2
Growth (%)	-	-	-
P/E	-17.8	-85.4	123.7
P/B	2.2	2.2	2.0
EV/EBITDA	15.3	10.1	8.1
ROE (%)	(17.2)	(2.7)	1.7
D/E	0.3	0.1	0.1

Joe V Samuel
Research Analyst

It is estimated by the WHO the number of people diagnosed annually with cancer is expected to increase from 14 million to 24 million in 2035

About the Industry

It is estimated by the WHO the number of people diagnosed annually with cancer is expected to increase from 14 million to 24 million in 2035. Such a trend can be linked to demographic patterns like increasing life expectancy and lifestyle changes of the average population. In the domestic context, cancer treatment or Oncology is an area that has tremendous potential. The reasons for these stems from the fact that the cost of tertiary healthcare services in the country is significantly lower than in most other countries. This is not only a benefit to residents but also makes the country a viable destination for medical tourism. Yet, high-quality treatment is still inaccessible to majority in the country with up to half the actual incidence of cancer not even diagnosed at any stage. Addressing these core issues is what Health Care Global has focused on over the past 30 years. The death rates due to cancer in the country are about 68% of the annual incidence. Another factor is that up to half its actual incidence of cancer may not even be identified at any stage. The prevalence of the disease is only set to increase over the next few decades. Considering that the Government of India only invests only around 1% of its GDP in healthcare, there is great scope for private players like Healthcare Global to dominate the healthcare sector. This gap in investment is particularly evident in the tertiary and quarter nary healthcare sector.

About the Company

HCG The Specialist in Cancer Care

milann The Fertility Specialists

strand New Generation Healthcare

HCG adding life to years

HCG group has been predominantly focused on providing quality cancer diagnosis and treatment for the entire population.

HCG group has been predominantly focused on providing quality cancer diagnosis and treatment in India. The company realized the significant gaps in diagnosis and awareness across the country, especially in tier 2 and tier 3 cities, which were in most need of such healthcare services. The company also realises the importance of cheap healthcare services in the country keeping in mind the motive of medical tourism. HCG remains India's largest network of cancer specialty hospitals in terms of the total number of centres. To achieve this goal of improved access of cheap healthcare for all, the company strongly believes in the combined efforts of both private and government players. The basis for this is the notion that a strong primary healthcare system is the key to maintaining inexpensive health services.

Aims to provide world class treatment...

The shortcomings of the current public primary healthcare system can be linked to the deficiencies in human resources and infrastructure. HCG groups also believe in a system of value-based medicine; where quality parameters are also determined by patient outcomes after treatment. The effectiveness of government schemes like Ayushman Bharat can be further enhanced if the quality parameters in the healthcare sector are changed. The guidelines of the scheme can be adjusted in such a way that no person who is covered by the scheme receives sub-standard services especially in the area of tertiary and quaternary healthcare. This could eventually pave the way for a system of universally mandated healthcare cover wherein the insurance company negotiates with private healthcare service providers to determine an appropriate remuneration.

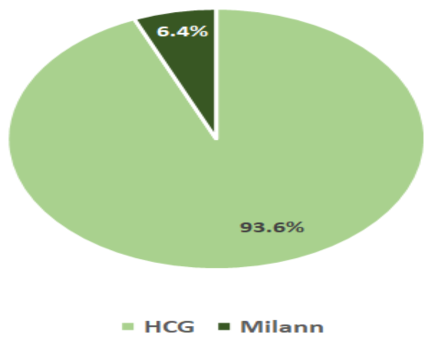
HCG currently runs 22 comprehensive cancer centres, 3 multispecialty hospitals and 3 diagnostic centres

Milann is the leading provider of fertility treatment under the brand "Milann".

Strand Life Sciences offers a wide range of services for Pharma, biotech, CRO and diagnostic companies

Major business Segments...

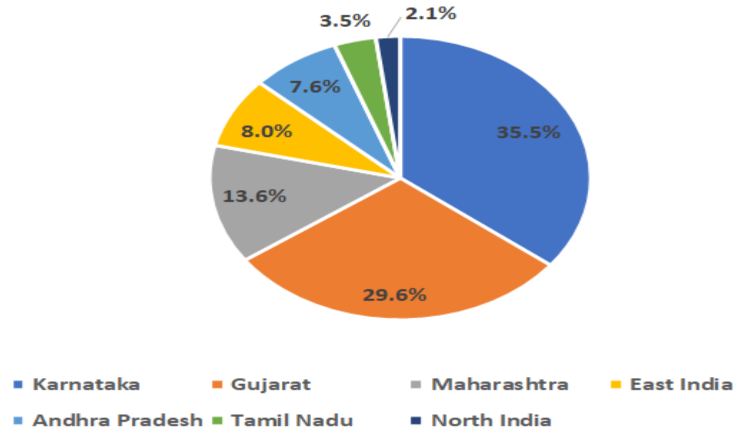
Revenue Breakup-FY20



Source: Company, Geojit Research

1. HCG: This business segment is one of the largest private cancer care providers in India providing diagnosis and treatment services through nuclear medicine, radiation therapy, medical oncology and surgical oncology among others. HCG provides the expertise and state-of-the-art technologies required for accurate diagnosis and treatment through dedicated and comprehensive centers. HCG's team of specialists consists of industry leading radiation, medical and surgical oncologists, nuclear medicine doctors, radiologists, pathologists and other experts in the field. HCG operates few of its centres on a partnership model with limited liability arrangements. In this model, HCG would hold the majority stake in the centre and would pay a percentage of revenue/profits or a fixed fee to its partners. This enables HCG to leverage their partners expertise and presence in certain localities. In addition to the cancer centres, HCG operates multi-speciality hospitals in Ahmedabad and Bhavnagar. HCG's Multi-speciality Hospital in Ahmedabad is a tertiary-care hospital with 110 beds, including 46 intensive care beds. Key specialities include cardiology, neurology, orthopaedics, gastroenterology, urology, internal medicine, pulmonary and critical care. HCG currently runs 22 comprehensive cancer centres, 3 multispecialty hospitals, 3 diagnostic centres across different parts of the country.

HCG Centre Geographical Revenue Breakup-FY20



Source: Company, Geojit Research

2. Milan centers: Milann is the leading provider of fertility treatment under the brand "Milann". Through Milann, it owns and operates comprehensive reproductive medicine services including assisted reproduction, gynaecological endoscopy and fertility preservation. HCG acquired 50% stake in BACC Healthcare Pvt Ltd in 2013, which operated the Milann centres. Milann has been Ranked No. 1 in India, and contributes around 7% of the total revenue. Currently operates 8 fertility centers across Bengaluru, Delhi, Chandigarh and Ahmedabad.

3. Strand Life Sciences Private Limited: An associate of HCG offers a wide range of services for Pharma, biotech, CRO and diagnostic companies engaged in drug discovery, drug development, biomarker discovery and companion diagnostics development: The Company actively publishes research papers, case studies, abstracts in international & national forums like ASCO, AACR and Indian Cancer Congress. Having access to well annotated and high quality clinical samples of various cancer types, Strand is the preferred partner for global pharma companies, academia, diagnostic companies, venture & technology groups for oncology research and clinical projects.

Company history

1989
1st Cancer centre in the HCG network setup

2006
3 operational cancer centres

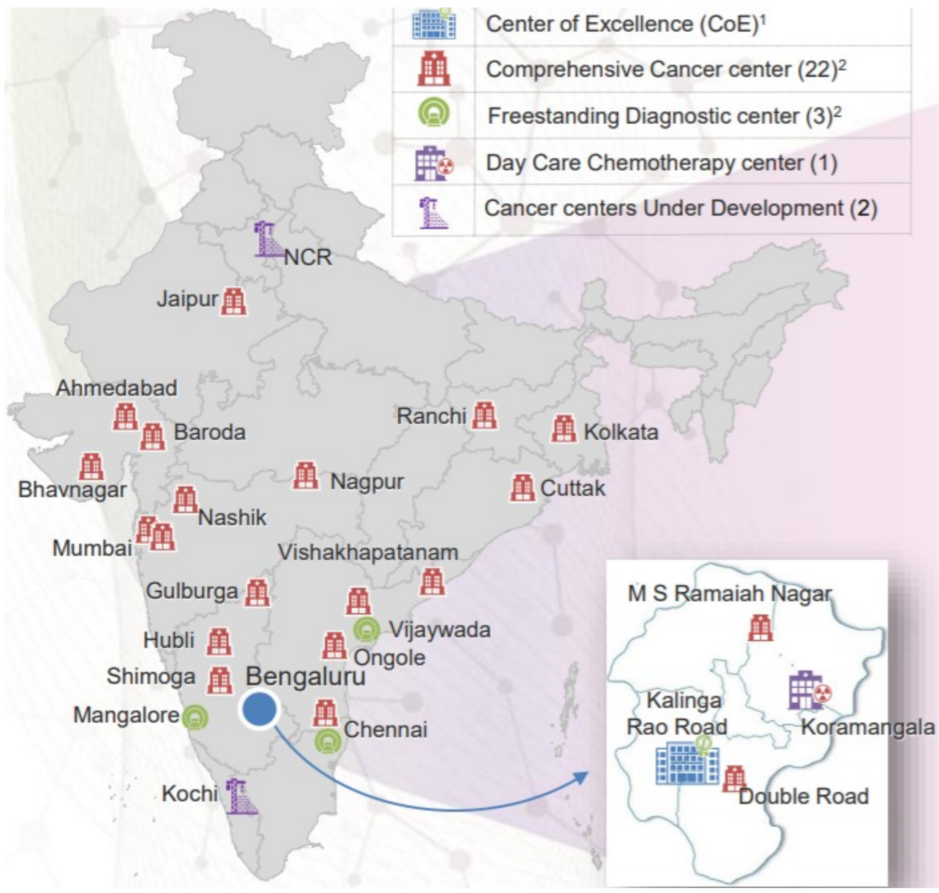
2011
Awarded Oncology leader of the Year by Frost and Sullivan

2013
Entry to fertility business

2018
Entry to Africa and creation of diagnostic platform named Strand

2019
Largest specialised healthcare player in oncology, fertility

Cancer care network– As on Q1FY21



Source: Company presentation, Geojit Research

Rationale for Investing

Single speciality hospital…

HCG follows a single specialty model which is both asset light and Cap-Ex light which makes the business easily scalable and replicable.

It is widely acknowledged that adopting a model of providing specialized (or super-specialized) healthcare services is one which assures consistent growth. This is driven by the notion the domino effect of improved life expectancy leading to the increasing prevalence of chronic diseases which then fuels the demand for high-cost, highly specialized treatment. Consumers are also more aware and seek quality healthcare where adequate attention is given to their ailments. HCG aligns its operations to fulfil such a model with its primary focus being on oncology diagnostics and treatment. Further, they follow a single specialty model which is both asset light and Cap-Ex light which makes the business easily scalable and replicable. The management of HCG stands strongly by the fact that a new centre only takes 12-18 months to break-even.

Growth of Indian Hospital Sector:

The healthcare industry in India industry is expected to grow at 22.87% (CAGR) to reach a value of $372 Bn by 2022.

The Indian healthcare market is growing at a rapid pace. As of 2014, it ranks 6th largest in terms of industry size in the world. The industry is expected to grow at 22.87% (CAGR) to reach a value of $372 Bn by 2022. A key driver of this pattern of growth is the private sector. With government spending only at a meagre 1% of its GDP on public health, there is enough room for private parties to invest in the sector. Currently, private parties have a 74% share in hospitals and 40% share in hospital beds across the country. With socio-economic changes like increased health awareness, penetration of health insurance, higher life expectancies and ever-improving technology, the future of the Indian healthcare sector is quite promising. The cost-effectiveness of treatment in India makes it an attractive prospect for medical tourism as well. For example, the average cost of chemotherapy is around Rs.2 Lakhs in India versus Rs.15 Lakhs in the U.S. Medical tourist arrivals are also steadily rising with people choosing India for cheaper high-quality treatment as opposed to the 'developed' nations. Since 2015, the number of medical tourists coming to India has more than doubled. It is only set to increase further after e-tourist visa regimes have been expanded to include medical visits as well. Given this trend, it is estimated that India's medical tourism industry could hit $9 Billion by 2020.

Hub and Spoke Model…

HCG carries out operations by means of creating a network of cancer centers. This was done by setting up a central hub of excellence (CoE) with up-to-date technology like cyclotrons, RT-LINACs and PET-CT scanners combined with a 225-bed capacity. This center built to provide quality of cancer treatment that is at par with the rest of the world but at a fraction of the cost. Such a system also makes it an attractive prospect for medical tourism. The web is extended by a hub and spoke system for each region. The regional hub pools resources which aid the functioning of the spokes through telemedicine. The spokes serve as the first point of contact for a patient. The advantage of this sort of model is that patients do not have significant transportation costs in accessing diagnostics and treatment.

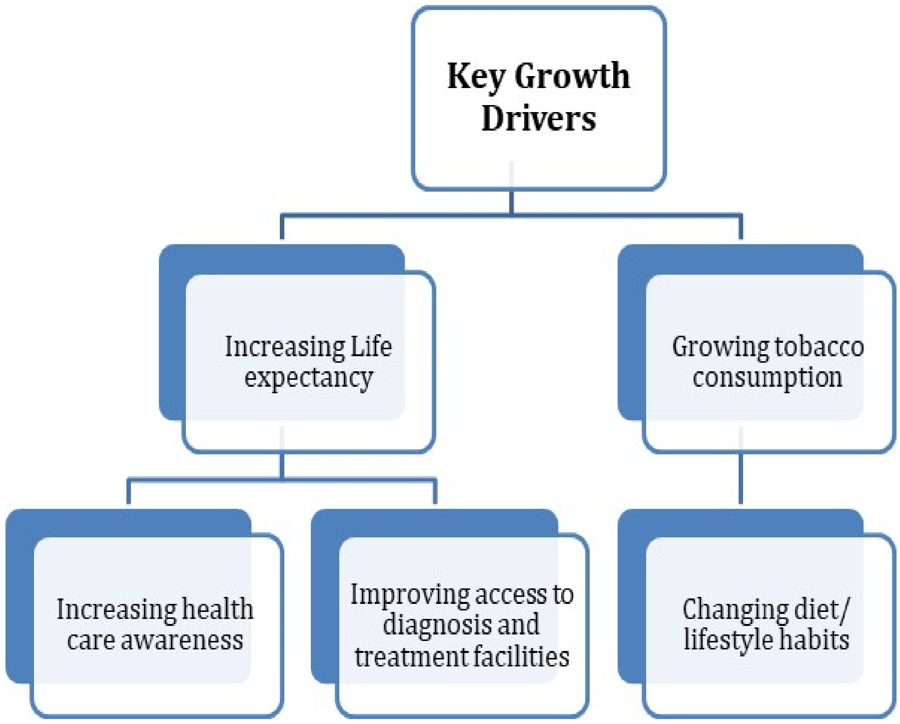
Technology:

The central hub of excellence(CoE) in Bengaluru with up-to-date technology like cyclotrons, RT- LINACs and PET-CT scanners combined with a 225-bed capacity.

The HCG centers are planned in such a way that the regional hubs and the center for excellence are equipped with the technology that is up to date with the rest of the world. The central hub at Bangalore was established with the motive of emulating the services that are offered in globally acclaimed cancer centers. The additional challenge was to make treatment affordable at the same time. It must be noted that the HCG group had invested in and adopted LINAC (treatment machine) at a time when cobalt treatment was the norm. The center for excellence is also equipped with technologies such as CyberKnife, PET-CT scanners and cyclotrons.

Cyberknife Treatment equipment

In India, the cancer treatment is an under-penetrated market.

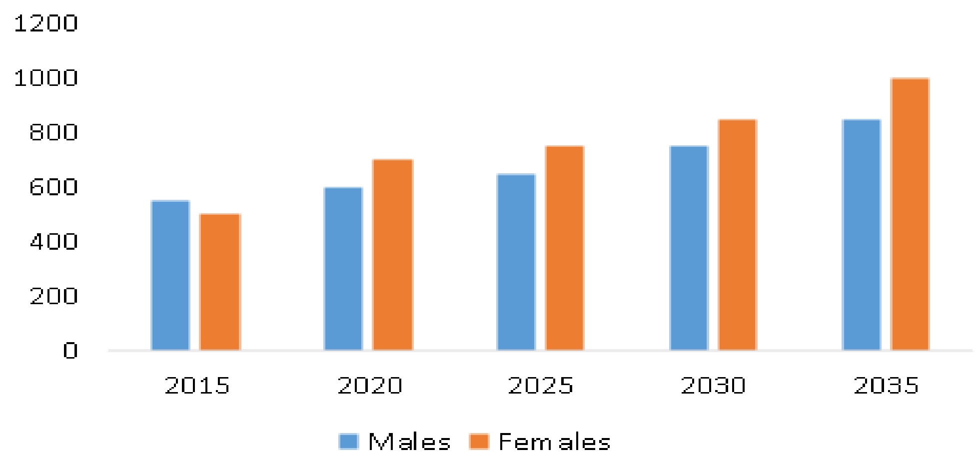


Source: Company, Geojit Research.

Domestic trends in Cancer :

In India, the cancer treatment is an under-penetrated market. There are large gaps in both the diagnosis and treatment of the disease. Up to half the actual incidence of cancer in India is usually not identified at any stage. Further, cancer mortality in the country is about 68% of the actual incidence. The number of cancer cases globally is set to increase by at least 50% by 2035. Given the vision of HCG, there is great scope to address this growing demand for cancer treatment.

Estimated number of cancer patients ('000)



Source: Company, Geojit Research.

The prevalence of infertility has also increased rapidly in the last decade

Infertility rates on rise:

The prevalence of infertility has also increased rapidly in the last decade with the number of IVF cycles increased by 18.1 % (CAGR) in this period. Further, there is an added social aspect of the need for parenthood and the social status associated with it being the highest in India when compared to other developed nations. Again, there are no expected signs of deviation from this trend due to lifestyle shifts of the population which influences a decline in total fertility rates. Moreover, demographic projections estimated a steady increase in the number of women who are of reproductive age implied by India's demographic dividend. As of 2015, the number of IVF cycles performed annually was 100,000. This number is expected to increase by about 160% by 2020.

Maturity of centers:

Breakeven time for new centres is usually 12-18 months

When we look at the expansion in the number of centres, it is evident that the more established or 'mature' centers have significantly higher operational metrics than the relatively new centers. With respect to HCG's operations, the most mature centers are in Karnataka. As of FY20, the centers in this region have the highest revenue (INR 364 Cr.) and operating EBITDA (23.8%) while compared to other regions. This is also the region with the highest patient mix as it attracts patients from across the globe. With breakeven time for new projects estimated to be around 12- 18 months, we expect the new centres launches in Mumbai, Kolkata and other regions in the last 1-2 years to improve efficiencies and reduce losses.

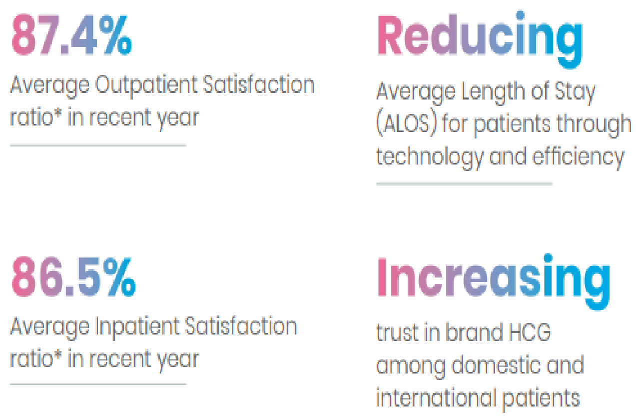
Location	Centres	Operational beds
Karnataka	7	~615
Gujarat	5	~508
Maharashtra	4	~368
East India	3	~280
North India	2	~150

Source: Company, Geojit Research

Value based treatment

Expects to incur CAPEX of Rs 80crs in FY21 with the capex cycle almost completed

The ideological backbone of the company is driven by value-based medicine. The implication of this is that patient outcomes are the final determining factor of efficiency of health services. Within the model of expansion, the spokes are set up by means of a partnership with local oncologists in the respective region. By giving doctors the responsibility of operations, it leans towards a system wherein the individuals' health is always the first priority. Moreover, there is a motivation to provide outlets for cancer treatment across the country. The company also aims to be a pioneer in research in eliminating the need for palliative treatment. HCG is a brand with public trust due to its high level of transparency and social motive. This is the standout feature of the brand that has helped it draw investment from private equity.



* Survey conducted at Bangalore centre of excellence,

Management team

Dr. BS Ajai Kumar : Dr Ajai Kumar is the founder and CEO of Healthcare Global Enterprises. Dr. Ajai Kumar has been a practicing oncologist in the US and India for over three decades. He completed his residency training in Radiotherapy from the MD Anderson Hospital and Tumor Institute of the University of Texas, and his residency training in Oncology from the University of Virginia Hospital, Charlottesville. He received his MBBS from the St. Johns Medical College, Bangalore.

Anant Kittur: Anant Kittur is the director of projects in HCG. He is responsible for overseeing and initiating new projects of HCG and managing all business development initiatives. Previously, he was the director (Imaging) of Wipro GE Healthcare for South Asia and has held several leadership positions at GE Healthcare from 2000 to 2015. He also worked at the Housing Development Finance Corporation Limited from 1998 to 2000.

Dr Kamini Rao: Dr. Kamini Rao is the medical director of Milann since its inception. Across her distinguished clinical and research career in reproductive medicine spanning three decades, Dr. Kamini Rao specialized in reproductive endocrinology, ovarian physiology and assisted reproductive technology. Among her early contributions to the field are the establishment of South India's first Semen Bank, India's First SIFT Baby and South India's first babies born through ICSI (Intra Cytoplasmic Sperm Injection) as well as through Laser Assisted Hatching.

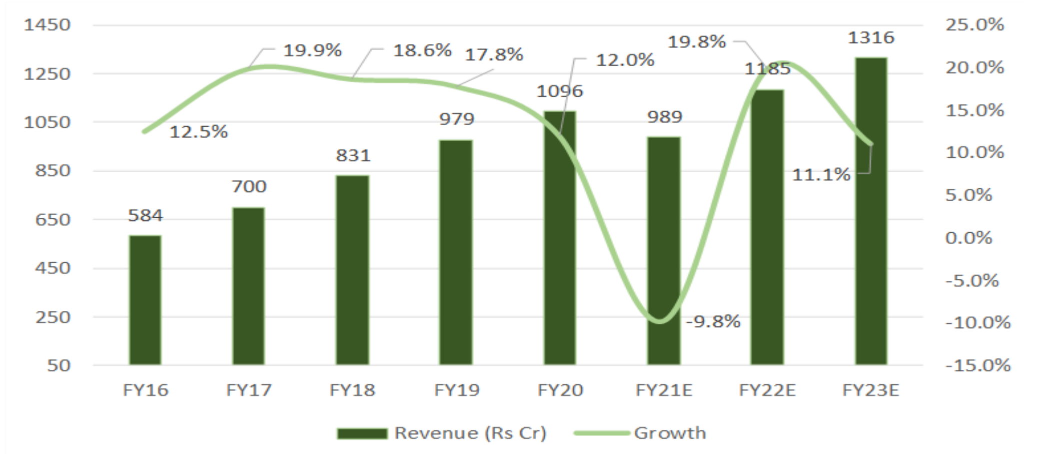
The Covid-10 lockdown has been challenging for HCG as the number of patients and procedures have seen a sharp decline

Financials

Steady rise in revenue over FY15-FY20

HCG has seen a revenue growth of 16% CAGR over FY15-FY20 mainly on back of ramp up new centres in Maharashtra and Gujarat which have seen significant additions in the number of beds and average revenue per operating beds (ARPOB). Over the years, the company has focused on better efficiency by decreasing the average length of stay (ALOS) and increasing ARPOB. As a result ARPOB per day has seen a increase from Rs.24676 in FY15 to Rs.32760 in FY20. However, the Covid-19 pandemic, and the subsequent lockdown has been challenging for HCG as the number of patients and procedures have seen a sharp decline. Treatment for foreign patients, which contributed around 10-15% of the revenue, have been virtually zero. We expect revenue to de-grow in FY21E with FY21 so far seeing lower patient footfalls amid varying lockdown restrictions in different parts of the country. However, we expect to see a recovery in revenues from FY22E with the company focusing on improving operational efficiencies at centres launched in the last 1-2 years.

Revenue growth trend (FY17-FY23E)



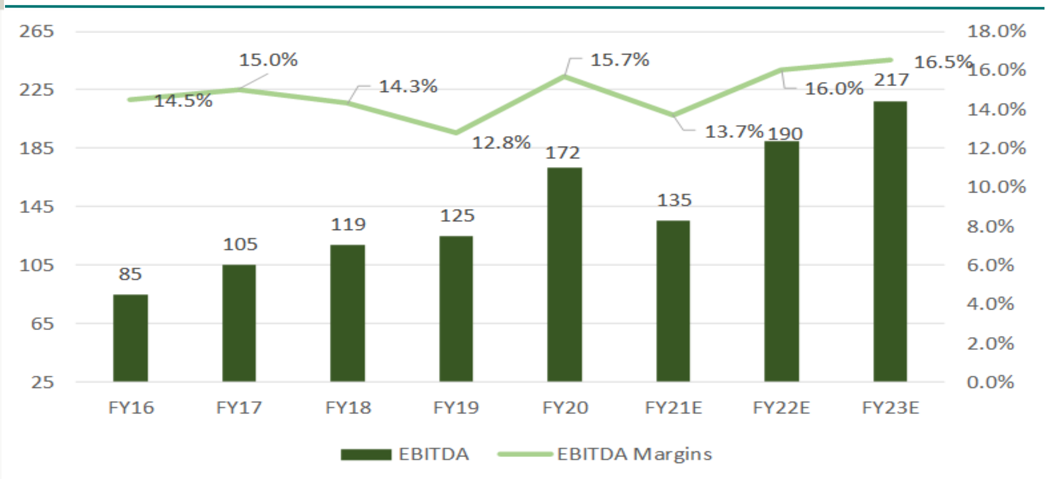
Source: Company, Geojit Research

EBITDA margins to bounce back post FY21E...

Post FY21E, we expect EBITDA margins to improve to 16.5% as we expect reduction in losses at new centres

EBITDA margins stood at an record high of 15.8% during FY20 with ramp up of existing centres in Karnataka and Gujarat contributing to a 390bps margin expansion from FY19. FY19 saw a 150bps dip in EBITDA margins was mainly attributed to losses for the new centres set up in Western India. Going forward, we expect EBITDA margins to contract by 200bps in FY21E as decrease in footfalls and new centre losses may impact operating performance. Post FY21E, we expect EBITDA margins to improve to 16.5% as we expect reduction in losses at new centres as well as further improvement in performance of existing centres.

EBITDA growth trend FY17-FY23E



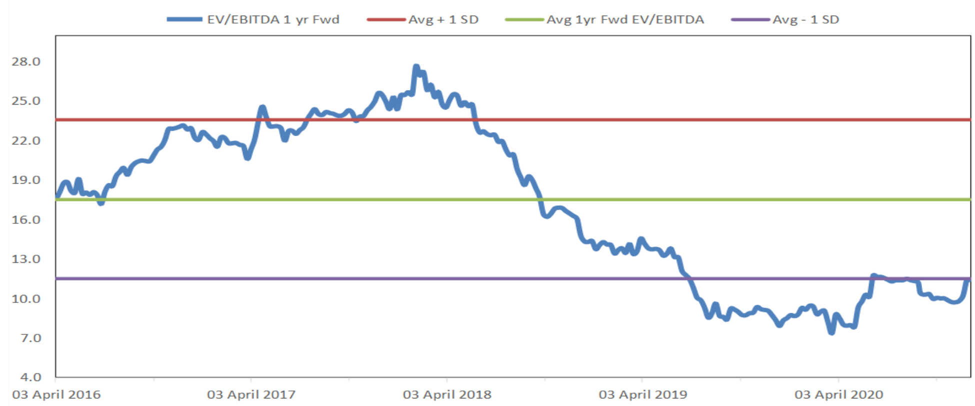
Source: Company, Geojit Research

The investment from CVC capital partners will be primarily used to reduce debt

New Investments to strengthen balance sheet

In Q1FY21, CVC capital partners, a foreign private equity firm, completed an investment of Rs.650cr at Rs.130/share for a 36.5% stake in HCG. The company stated that the new investment will mainly be used to reduce its debt . As a result of this investment we expect its debt/equity ratio to reduce from 1.6x in FY20 to 0.1x in FY23E. The company is also nearing the end of its capex cycle, with most of its capex to go towards new centres that are planned for Kochi and Gurugram. This would enable HCG to focus on scaling up its new centres that were established in the last 1-2 years and ensuring they break-even as quickly as possible.

Valuations



Source: Company, Geojit Research

The company is currently trading at a 1 year forward EV/EBITDA of 10x, substantially below its 5 year average of 17x. The stock hit a all time high of 27x EV/EBITDA multiple during FY18 as the company substantially grew its revenues at CAGR of 16% between FY15-18 on the back of establishment of centres in newer geographies like Maharashtra and Andhra Pradesh as well as improvement in operating margins at its mature centres. However, post FY18 EV/EBITDA multiple reached a 5 year low of 6x as new centre losses expanded significantly along with additional leverage taken in order to fund the capex cycle from FY18-FY20.

While the Covid-19 pandemic and the subsequent lockdown in different parts of the country has impacted its performance in the last two quarters, we expect to see a recovery footfalls and ARPOB as lockdown restrictions ease in different parts of the country. The main focus for HCG will now be towards reducing losses at its new centres in Tier-1 cities like Mumbai and Kolkata while improving margins and profitability at its mature centres. With an experienced management team and advanced facilities across the country, HCG is poised to take advantage of the increased awareness and diagnosis of cancer in India. The recent investment by CVC will enable the company the deleverage its balance sheet and remove a key overhang on the stock. Considering these factors, we initiate coverage on HCG with a BUY rating based on 12x FY23E EV/EBITDA with a target price of Rs.189.

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Sales	**979**	**1,096**	**989**	**1,185**	**1,316**
% change	17.8	12.0	-9.8	19.8	11.1
EBITDA	**125**	**172**	**135**	**190**	**217**
% change	5.2	37.6	-21.3	39.9	14.5
Depreciation	85	149	167	177	187
EBIT	39.9	23.6	-31.5	12.6	30.2
Interest	70	138	72	45	21
Other Income	7.4	6.9	5.9	7.1	7.9
PBT	**-34**	**-120**	**-98**	**-25**	**17**
% change	-	-	-	-	-
Tax	-3	6	5	-1	1
Tax Rate (%)	7.5%	-5.2%	-5.0%	5.0%	5.0%
Reported PAT	**-31**	**-126**	**-103**	**-24**	**16**
Adj.*	0.0	0.0	0.0	0.0	0.0
Adj. PAT	**-31**	**-126**	**-103**	**-24**	**16**
% change	-	-	-	-	-
No. of shares (cr)	9	9	13	14	14
Adj EPS (Rs)	-3.5	-14.5	-8.2	-1.7	1.2
% change	-	-	-	-	-
DPS (Rs)	0.0	0.0	0.0	0.0	0.0

BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	21	32	86	161	229
Accounts Receivable	157	186	168	227	252
Inventories	27	24	24	31	33
Other Cur. Assets	46	50	135	55	61
Investments	49	34	75	75	75
Gross Fixed Assets	1,072	1,296	1,376	1,456	1,536
Net Fixed Assets	852	927	840	743	636
CWIP	153	46	40	40	40
Intangible Assets	119	141	137	137	137
Def. Tax (Net)	23	19	19	19	19
Other Assets	153	99	92	82	70
Total Assets	**1,649**	**1,615**	**1,665**	**1,628**	**1,617**
Current Liabilities	480	482	393	341	296
Provisions	13	16	13	16	17
Debt Funds	517	530	230	130	30
Other Liabilities	67	73	66	75	81
Equity Capital	88	89	125	138	138
Reserves & Surplus	389	293	690	766	883
Shareholder's Fund	477	381	815	904	1021
Total Liabilities	**1,649**	**1,615**	**1,665**	**1,628**	**1,617**
BVPS	54	44	65	66	74

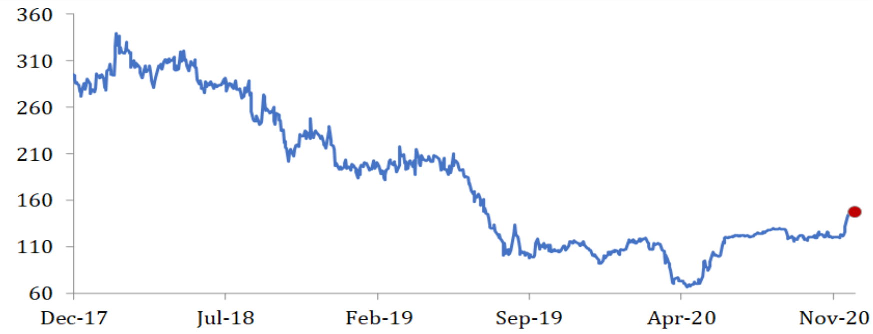
CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Net inc. + Depn.	52	29	69	152	204
Non-cash adj.	96	161	167	177	187
Changes in W.C	2	-22	-153	-44	-84
C.F-Operation	98	130	-88	109	119
Capital exp.	-189	-108	-74	-80	-80
Change in inv.	-14	3	-41	0	0
Other invest.CF	-36	4	7	11	12
C.F - investment	**-238**	**-101**	**-103**	**-69**	**-68**
Issue of equity	0	20	536	113	100
Issue/repay debt	130	35	-284	-86	-90
Dividends paid	0	0	0	0	0
Other finance.CF	78	-95	9	23	17
C.F - Finance	**83**	**-58**	**245**	**36**	**17**
Chg. in cash	-56	-30	53	75	68
Closing cash	-29	32	85	161	229

RATIOS

Y.E March	FY19A	FY20A	FY21E	FY22E	FY23E
Profitab. & Return					
EBITDA margin (%)	12.8	15.7	13.7	16.0	16.5
EBIT margin (%)	4.1	2.2	-3.2	1.1	2.3
Net profit mgn.(%)	-3.2	-11.5	-10.4	-2.0	1.2
ROE (%)	-6.5	-29.3	-17.2	-2.7	1.7
ROCE (%)	8.4	6.2	-3.9	1.4	3.0
W.C & Liquidity					
Receivables (days)	53	57	65	61	67
Inventory (days)	9	8	9	8	9
Payables (days)	31	30	33	27	27
Current ratio (x)	0.6	0.7	1.1	1.5	2.0
Quick ratio (x)	0.4	0.5	0.6	1.1	1.6
Turnover					
Gross asset T.O (x)	1.0	0.9	0.7	0.8	0.9
Total asset T.O (x)	0.6	0.7	0.6	0.7	0.8
Int. covge. ratio (x)	0.6	0.2	-0.4	0.3	1.4
Adj. debt/equity (x)	1.1	1.6	0.3	0.1	-0.1
Valuation					
EV/Sales (x)	2.4	2.2	2.1	1.6	1.3
EV/EBITDA (x)	19.0	14.0	15.3	10.1	8.1
P/E (x)	-41.3	-10.1	-17.8	-85.4	123.7
P/BV (x)	2.7	3.3	2.2	2.2	2.0

Recommendation Summary



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
9th December 2020	Buy	189

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated		-	

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated : The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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