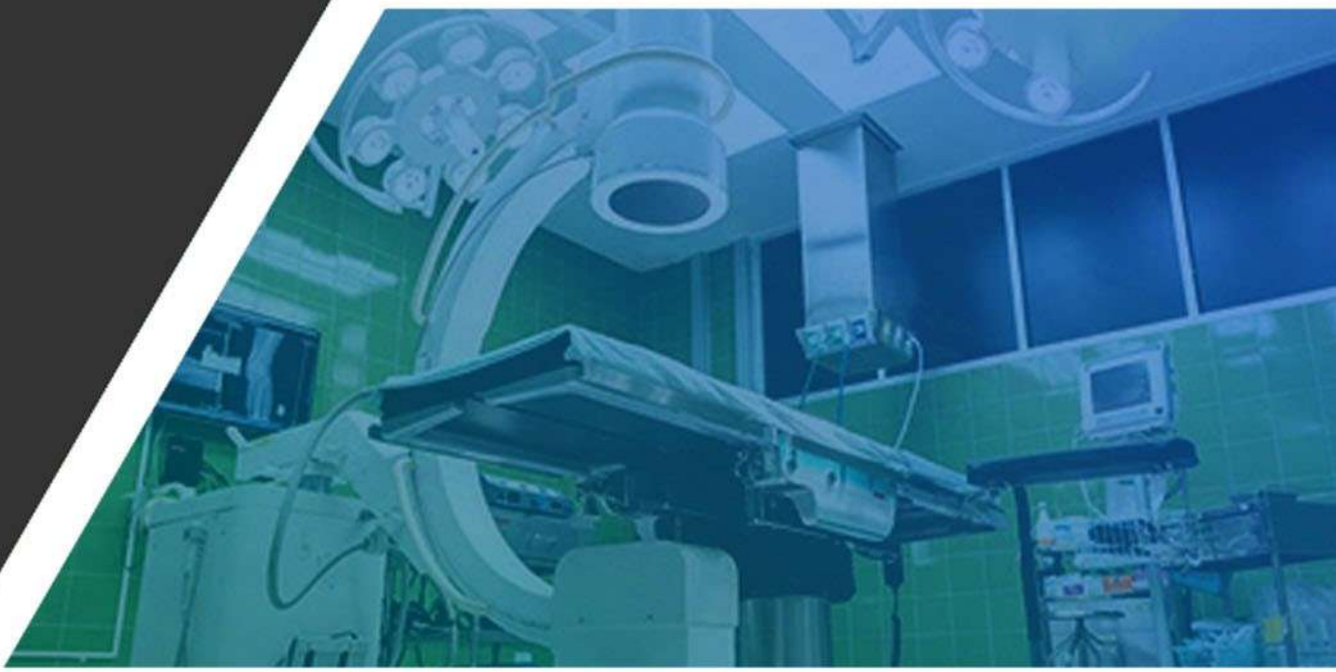
IINITIATING COVERAGE REPORT

February 15, 2021



HCG
adding life to years

Research Analyst
Shantanu Basu
Smifs.institutional@smifs.com

Table of Contents

Brief Overview

CMP (INR) (As on 12th Feb 2021)	151
Target (INR)	201
Upside(%)	33
Recommendation	**Strong Buy**

BSE Code	539787
NSE Code	HCG
Reuters Ticker	HEAC.BO
Bloomberg Ticker	HCG IN

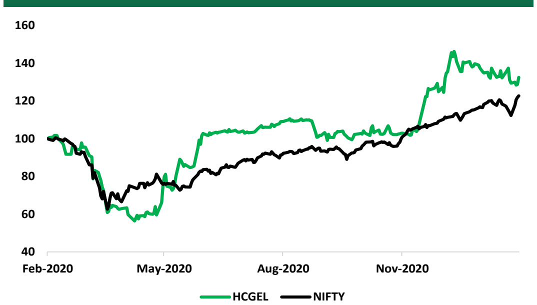
Stock Scan

Market cap (INR Cr.)	1,898
Outstanding Shares (Cr.)	12.53
Face Value (INR)	10.00
Dividend Yield(%)	-
P/E (x)	NA
P/B (x)	2.4
Debt/Equity (x)	0.58
Beta vs. Sensex	0.47
52 Week High/ Low (INR)	186/63
Avg. Daily Volume (NSE)/1yr	212,369

Shareholding Pattern (%)

	Dec 2020	Sep 2020	Jun 2020
Promoters	66.87	66.91	23.90
Institutions	19.65	18.62	48.62
Non-Institution	13.48	14.47	27.48

Stock vs. Nifty (Relative Returns)



Source: NSE

HealthCare Global Enterprises Ltd.: A new beginning

We initiate coverage on HealthCare Global Enterprises Ltd. (HCGEL) with a Strong Buy rating. HCGEL through its brand, ***"HCG"*** owns comprehensive cancer care centres. Through the ***"Milann"*** brand HCGEL operates comprehensive reproductive /fertility services. In addition, HCGEL has a 38.2% stake in ***"Strand Life Sciences Private Ltd"***, which is an integrated speciality diagnostics company. Besides these, HCGEL also operates four multi-speciality hospitals. The key aspects which draw attention to HCGEL's business are:

- **Largest provider of cancer care in India and only listed player in the oncology healthcare space:** Given the high rate of growth of cancer cases in India, HCGEL is at the forefront to cater to this growth, being the largest cancer provider (2,036 beds). Besides, HCGEL is the only listed player in India catering to oncology exclusively.
- **Private equity player, CVC is the current promoter infusing additional funds:** CVC came in as an investor to HCGEL and has already put in money in the form of share subscription to the tune of Rs 3837 mln at Rs 130 per share. Besides, CVC has also put in money in the form of warrant subscription amounting to Rs 1291 mln. On top of these, Dr. Ajaikumar has put in money in the form of warrants amounting to Rs 65 mln. ***So, in total Rs 5193 mln has already been received by HCGEL. A balance of around Rs 1317 mln is still receivable from CVC and Dr. Ajaikumar taking the total investment to around Rs 6510 mln.*** CVC now holds 49.9% of HCGEL shares with its shareholding rising to 53.4% upon conversion of all warrants in FY22.
- **Significant deleveraging of balance sheet:** Debt-Equity ratio (Ex IND AS116) is expected to come down significantly from 1.88 in FY20 to 0.13 in FY23.
- **Capex consolidation mode and substantial reduction of losses between FY21 and FY23:** HCGEL would focus on consolidation between FY21 and FY23 while incurring minimal capex. There would be significant reduction of losses given the improvement in profitability of the new centres, cost reduction drives, reduction in depreciation and finance charges - with HCGEL returning to black in FY23.

We have valued the stock at 15x FY23E EV/EBITDA to arrive at a **Target Price of Rs 201**, which provides an upside of 33% based on the current market price. We thus recommend a **"Strong Buy"** rating on the stock.

Financial Performance at a glance (Consolidated)

Particulars (INR mln)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales from ops.	9787	10956	9881	12120	13147
Growth %	18%	12%	-10%	23%	8%
EBITDA	1252	1722	1241	2012	2301
EBITDA Margin (%)	12.8%	15.7%	12.6%	16.6%	17.5%
Net Profit (Adjusted)	-248	-1067	-1023	-50	238
Cash Profit (Adjusted)	603	417	603	1397	1604
EPS (Adjusted)	-1.8	-7.7	-7.4	-0.4	1.7
BVPS	34.3	27.5	53.8	66.1	67.8
EV/EBITDA (x)	24.4	17.7	24.6	15.2	13.3
P /E (x)	NM	NM	NM	NM	88.2
ROE (%)	-5.2%	-28.0%	-13.7%	-0.5%	2.5%
ROCE(%)	3.6%	1.4%	-2.2%	3.3%	5.4%
ROE (%)(ex goodwill)	-6.7%	-39.3%	-16.1%	-0.6%	2.9%
ROCE(%)(ex goodwill)	4.0%	1.5%	-2.4%	3.5%	5.8%

Source: Company Data, SMIFS Research

Investment Rationales

HCGEL owns and operates comprehensive cancer diagnosis and treatment services (through radiation therapy, medical oncology and surgery).

HCG believes that it has been a pioneer to introduce in India and adopt across the HCG network the latest advances in technology relatively early.

Largest provider of cancer care in India and only listed player in the oncology space

HCGEL is the largest provider of cancer care in India under the "HCG" brand. It owns and operates comprehensive cancer diagnosis and treatment services (through radiation therapy, medical oncology and surgery). ***As of December 31, 2020, HCG network consisted of 22 comprehensive cancer centres, including its centre of excellence in Bengaluru, and 1 centre in Africa***. Each of its comprehensive cancer centres offers, at a single location, comprehensive cancer diagnosis and treatment services (including radiation, medical oncology and surgical treatments). HCG's freestanding diagnostic centres and its day care chemotherapy centre offer diagnosis and medical oncology services, respectively.

HCG follows a multidisciplinary approach to cancer care across the HCG network, wherein specialist physicians from various disciplines collaborate to provide the best course of treatment for each patient. This allows HCG to share and develop best practices, build clinical expertise and adopt standardised protocols for diagnosis and treatment, thereby improving the quality of its cancer care services. HCG believes that as a result, HCG is able to better serve its patients and ensure consistent clinical outcomes.

Within HCG network, the specialist physicians adopt a technology focused approach to diagnosis and treatment. For instance, ***HCG offers advanced technologies, including molecular pathology and molecular imaging for accurate diagnosis and staging of cancer, which enables accurate decision making along with appropriate course of treatment for each patient***. HCG believes that it has been a pioneer to introduce in India and adopt across the HCG network the latest advances in technology relatively early. For instance, ***HCG was among the first healthcare providers in India to standardise molecular diagnostics technologies, including genomic testing and molecular imaging, including 128 slice PET-CT scans in the diagnosis and staging of cancer***, as well as to introduce high intensity flattening filter free mode radiotherapy, stereotactic radiosurgery and robotic radiosurgery, in the treatment of cancer in India.

Investment Rationales

HCG also utilises targeted nuclear medicine therapies as well as advanced radiation treatments to minimise side effects and improve the outcome of treatments.

HCG was also the first healthcare provider in India to perform computer assisted tumour navigation surgery. HCG believes this gives it a distinct advantage relative to its competitors in delivering high quality and standardised cancer care to its patients. HCG also utilises targeted nuclear medicine therapies as well as advanced radiation treatments to minimise side effects and improve the outcome of treatments. By ensuring the adoption of these diagnostic and treatment technologies throughout the HCG network, HCG is able to provide consistent quality of care to all patients.

Given the large number of patient cases treated across the HCG network, HCG believes that it is able to efficiently utilise its equipment, technologies and human resources, thereby deriving economies of scale. Furthermore, through the adoption of a centralised drug and consumables formulary, HCG is able to lower the overall cost of drugs and consumables. ***HCG believes that its business model is scalable and when combined with efficient utilisation of resources, it enables HCG to operate within a competitive cost structure***.

Given the high rate of growth of cancer cases in India (India's cancer incidence is estimated at 1.16 mln new patients in 2018 and is predicted to almost double as a result of demographic changes alone by 2040: WHO Report) - HCG is at the forefront to cater to this growth with its penetration across India and operational infrastructure. Besides, HCGEL is the only listed player in India catering to oncology exclusively.

Investment Rationales

The strong growth of cancer cases in India and the fact that HCGEL is the only exclusive player in the oncology space in India are the reasons as to why HCGEL has been fruitful in attracting long term money from private equity investors. Investment by CVC reinforces the faith of minority investors on HCGEL and the fact that long term prospects of HCGEL are indeed sound.

- **Private equity player, CVC is the current promoter infusing additional funds**

Private equity player, CVC came in as an investor to HCGEL and has already put in money in the form of share subscription to the tune of Rs 3837 mln at Rs 130 per share. Besides, CVC has also put in money in the form of warrant subscription amounting to Rs 1291 mln. On top of these, Dr. Ajaikumar has put in money in the form of warrants amounting to Rs 65 mln. ***So, in total Rs 5193 mln has already been received by HCGEL. A balance of around Rs 1317 mln is still receivable from CVC and Dr. Ajaikumar taking the total investment to around Rs 6510 mln.*** An open offer was triggered subsequent to CVC's subscription of shares and ***CVC now holds 49.9% of HCGEL shares with its shareholding rising to 53.4% upon conversion of all warrants in FY22.***

Stints of private equity investment in HCGEL is not new with the Company being associated with the likes of Temasek, Premji Invest, IDFC and Quadria in the past. The strong growth of cancer cases in India and the fact that HCGEL is the only exclusive player in the oncology space in India are the reasons as to why HCGEL has been fruitful in attracting long term money from private equity investors.

Investment by CVC reinforces the faith of minority investors on HCGEL and the fact that long term prospects of HCGEL are indeed sound as that is how a financial investor like CVC will make money on its investment by making a profitable exit in say, 5-7 years from now. ***Acquisition of majority control of HCGEL by CVC post the preferential allotment and open offer would also give CVC the right to control the composition of the Board of Directors of HCGEL and thereby direct the strategies of the Company jointly with the existing promoter, Dr. B.S. Ajaikumar.***

In summary, we believe that the acquisition of majority control by CVC would steer the Company in the right direction and bring in the desired profitability over a reasonable time frame.

Investment Rationales

Debt-Equity ratio (Ex IND AS116) is expected to come down significantly from 1.88 in FY20 to 0.13 in FY23.

Significant deleveraging of balance sheet

Leverage has been an issue with HCGEL in the past as it took recourse to debt to fund its capex expansion drive in recent years. Debt-Equity ratio (Ex IND AS116) is expected to come down significantly from 1.88 in FY20 to 0.13 in FY23 given the fund infusion by CVC, reduction of losses and minimal capex between FY21 and FY23. ***A strong balance sheet would keep HCGEL in good stead and support a higher valuation multiple***.

Acquisition of minority interest of Milann

HCGEL is the leading provider of fertility treatment under the brand "Milann". It owns and operates comprehensive reproductive medicine services including assisted reproduction, gynaecological endoscopy and fertility preservation. Milann has been Ranked No. 1 in India and first in the South India region continuously for 3 years in the fertility segment in the Times Health All India Critical Care Hospital Ranking Survey 2018.

The Milann fertility centres follow a multidisciplinary and technology focused approach to diagnosis and treatment. The Milann network also operates on a model similar to HCG network, wherein the various Milann fertility centres aim to provide medical services following established protocols with a focus on quality medical care across diagnosis and treatment.

HCGEL acquired 50.10% equity interest in BACC Healthcare Pvt Ltd in 2013 which operates fertility centres under the Milann brand. On 27th November 2020, right to shares for balance 49.90% has been acquired against a payment of around Rs 683 mln. HCGEL operates seven Milann fertility centres across Bengaluru, Delhi and Chandigarh as on December 31, 2020.

BACC Healthcare Pvt Ltd. is led by a team of qualified and experienced fertility specialists. Its founder, Dr. Kamini Rao has a successful track record of over 25 years of providing fertility treatments. The Milann fertility centres follow a multidisciplinary and technology focused approach to diagnosis and treatment. The Milann network also operates on a model similar to HCG network, wherein the various Milann fertility centres aim to provide medical services following established protocols with a focus on quality medical care across diagnosis and treatment. ***Sales, EBITDA and PAT for BACC Healthcare for FY20 were Rs 701 mln, Rs 117 mln and Rs (19.23) mln respectively.***

Investment Rationales

Milann centres took a bad hit on revenues due to Covid-19 as fertility is not an essential medical service and infertility treatments can be postponed. ***We expect Milann to post pre-Covid revenues starting from Q1FY22. The acquisition of minority interest in Milann by HCGEL removes an overhang on the stock of HCGEL—HCGEL will now have a free hand in deciding whether to sell this business or not.***

Revenue from operations is expected to increase from Rs 10,956 mln in FY20 to Rs 12,894 mln in FY23 (6% CAGR). EBITDA is expected to increase from Rs 1,722 mln in FY20 to Rs 2,257 mln in FY23(9% CAGR).

- **Substantial reduction of losses between FY21 and FY23**

Revenue from operations is expected to increase from Rs 10,956 mln in FY20 to Rs 13,147 mln in FY23. EBITDA is expected to increase from Rs 1,722 mln in FY20 to Rs 2,301 mln in FY23. ***Our projections indicate that there would be significant reduction of losses of HCGEL between FY21 and FY23 given the improvement in profitability of the new centres of HCGEL, cost reduction drives, reduction in depreciation and finance charges - with HCGEL returning to black in FY23***. Return on Equity is expected to become positive in FY23. This again would support a higher valuation multiple.

Between FY18 and FY20 Rs 2662 mln, Rs 2199 mln and Rs 2141 mln were added to HCGEL's tangible assets in FY18, FY19 and FY20 respectively. Nine new comprehensive cancer care centres were added between FY16 and FY20.

- **Capex consolidation mode between FY21 and FY23**

HCGEL was on a capex overdrive between FY18 and FY20 when Rs 2662 mln, Rs 2199 mln and Rs 2141 mln were added to its gross tangible assets block in FY18, FY19 and FY20 respectively. Nine new comprehensive cancer care centres were added between FY16 and FY20 which led to the decline in EBITDA margin and RoCE. HCGEL's new centre losses increased to Rs 455 mln in FY20 from around Rs 70 mln in FY17. While it took about ~1.0-1.5 years for the new centres to breakeven, Borivali and Nagpur centres' breakeven was delayed owing to doctor and rent-related issues. With the commissioning of the South Mumbai centre in Q3FY20, HCGEL is done with its major capex plan barring small amounts related to its Gurgaon comprehensive cancer care centre. Thus, ***we expect improvement in EBITDA for the projected years FY21 to FY23. Further, incremental depreciation charge would also be low and recourse to additional debt to fund the expansion would not be necessary at all***. All these would culminate to positive return ratios in FY23 and support a higher valuation multiple.

Investment Rationales

HCGEL believes that its current model of providing speciality healthcare in India can be replicated in other underserved healthcare markets internationally. Cancer Care Kenya Limited (CCK) a leading cancer centre in Nairobi, Kenya, which HCGEL acquired in FY2018, is ramping up well.

Foray into Africa

HCGEL believes that its current model of providing speciality healthcare in India can be replicated in other underserved healthcare markets internationally. ***HCGEL has partnered with CDC to establish a network of speciality cancer centres in Africa, similar to its cancer care network in India. Pursuant to this partnership with CDC, HCGEL completed acquisition of Cancer Care Kenya, a leading dedicated cancer care centre located in Nairobi in July 2017***. HCGEL believes that its planned network will cater to the increasing unmet demand for cancer care in Africa due to which, a large number of cancer patients travel outside the region to avail quality cancer care, including to its comprehensive cancer centres in India. Cancer Care Kenya Limited (CCK) a leading cancer centre in Nairobi, Kenya, which HCGEL acquired in FY2018, is ramping up well. ***CCK started operation in 2010 and is the first private comprehensive cancer centre in the country. CCK treats over a thousand patients annually including over two hundred patients from other African nations***. CCK's team includes internationally trained radiation, medical and surgical oncologists, physicists, radiation technicians and oncology nurses. ***There are over 250,000 new cancer incidences each year in Eastern Africa – resulting in a huge and growing unmet need for advanced cancer care. Thousands of patients travel overseas for treatment, due to the lack of access to advanced cancer care.*** HCGEL has been treating patients from Africa in India for several years now, and have been enthused by the positive results and the strong response from the medical community in these countries. ***To ensure the best clinical outcomes and maintain continuity of care for medical tourism patients, HCGEL has successfully established advanced treatment options in the region through CCK and has made high quality cancer care accessible to patients across Africa***.

While no further capex investments are intended in India, barring a small amount for Gurgaon or in Africa till FY23, we believe that HCGEL may incur more investments in expanding its cancer care network in Africa beyond FY23 after achieving success in Kenya. Given the huge demand for cancer care in Africa, expansion in the region with right price offerings can be value accretive for HCGEL.

Investment Rationales

The appointment of a new CEO, Mr. Meghraj Arvindrao Gore (Raj Gore) took effect from 1st February, 2021. This appointment is bound to bring in a fresh pair of eyes for HCGEL and given Mr. Gore's experience, we are confident that the trio of Mr. Gore, Dr. Ajaikumar and CVC would catapult the Company to new heights in the years to come.

Appointment of a new CEO

The appointment of a new CEO, Mr. Meghraj Arvindrao Gore (Raj Gore) took effect from 1st February, 2021. He will replace Dr. B.S. Ajaikumar, founder promoter, who will continue as Chairman of HCGEL. ***Mr. Raj Gore is a seasoned global professional with more than 21 years of diverse experience in business management in North America, Asia, & Africa, with a focus on healthcare for the past 17 years. He has led business transformation and financial turnaround of acquired healthcare companies in India, Mauritius, and Vietnam and created sustainable growth momentum and value for these organizations***. Mr. Gore has built high performance teams and implemented organization wide transformation initiatives successfully to improve employee engagement and patient satisfaction in cross-cultural environments. He has hands-on knowledge and experience of the M&A spectrum including post-acquisition integration. ***In his previous role, he was the Chief Executive Officer – Southern Region of Apollo Hospitals Enterprise Limited, and was responsible for overall business portfolio of the largest region for Apollo with 15 facilities in the states of Tamil Nadu & Andhra Pradesh. Before joining Apollo, he worked with Fortis Healthcare Limited as Chief Growth Officer (India) & Chief Operating Officer – NCR.*** This appointment is bound to bring in a fresh pair of eyes for HCGEL and given Mr. Gore's experience, we are confident that the trio of Mr. Gore, Dr. Ajaikumar and CVC would catapult the Company to new heights in the years to come.

Overview of HCGEL

Snapshot of the Business

- Specialty healthcare provider with a focus on cancer and fertility
- Largest[1] provider of cancer care in India under the "HCG" brand
- Leading provider of fertility treatment under the "Milann" brand
- Leading precision medicine platform in India with leadership in bioinformatics and specialized clinical diagnostics
- NABH, ISO 9001, NABL and CAP accredited[5]

Future Outlook

- Consolidation of HCG centers and launch of 2 new comprehensive cancer centers under development across India
- Consolidation of Milann fertility centers across Bengaluru and North India
- Growth of cancer center in Kenya and other regions in Africa in partnership with CDC, UK

Cancer Care (HCG – The Specialists in Cancer Care)

- Comprehensive cancer diagnosis and treatment services (through radiation therapy, medical oncology and surgery)
- 22[3] comprehensive cancer centers, 3 freestanding diagnostic centers as of Dec. 31st, 2020 (including Kenya center)

Fertility Treatment (milann – The Fertility Center)

- Comprehensive reproductive medicine services including assisted reproduction, gynecological endoscopy and fertility preservation
- 5 fertility centers in Bengaluru, 1 in Delhi and 1 in Chandigarh as of Dec 31st, 2020

Precision Medicine (strand)

- Integrated platform for next generation precision medicine
- Leading provider of bioinformatics, research services and specialised clinical diagnostics offering comprehensive menu of tests with network of labs across India

Multi-specialty Hospital (HCG – adding life to years)

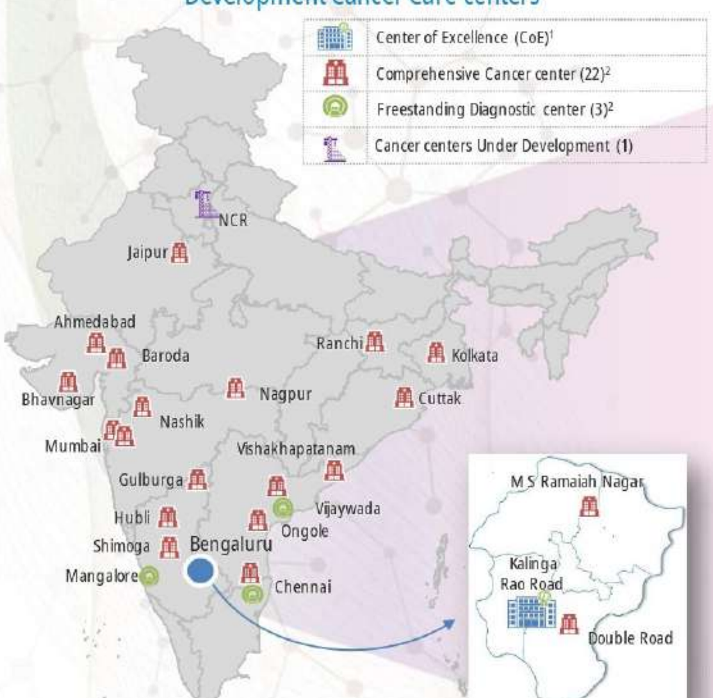
- 4[4] multispecialty hospitals in Ahmedabad, Bhavnagar, Rajkot and Hubli as at of Dec 31st, 2020

[1] In terms of the total number of cancer treatment centers licensed by AERB as of March 31, 2015 (Source: Government of India, Atomic Energy Regulatory Board); [2] NABH accreditation for HCG Bengaluru, HMS Ahmedabad; ISO 9001 certification for pathology laboratory at HMS; NABL and CAP accreditations for Strand; [3] includes center in Kenya; Bhavnagar multispecialty also includes comprehensive cancer services hence included in CCC count; [4] Suchiaryu, Hubli hospital managed under Operations and Management contract, not branded as HCG Hospital

Source: Company Data

HCGEL's Cancer Care Network

Network of Existing and Under Development Cancer Care centers



[1] Includes 2 centers, KR & DR; [2] As on 30th June' 2020, includes COE & center in Kenya, Bhavnagar multispecialty also includes comprehensive cancer services hence included in CCC count

HCG Network

- 2,036[1] BEDS
- +28 LINEAR ACCELERATORS
- +17 PET-CT SCANNERS
- 300+ ONCOLOGISTS
- +56 OPERATION THEATRES

Regional Penetration[1]

	No. of Centers[2]	Estimated Beds
Karnataka	7	~615
Gujarat	5	~508
Maharashtra	4	~400
East India	3	~288
North India	2	~150

1 Includes Multi-specialty beds
2 Existing and planned

Source: Company Data

CVC's Current Private Equity Investment Around The World In The Healthcare Space

Serial No.	Portfolio Company Name	Description	Country of incorporation	Year of Investment
1	**Alvogen**	Alvogen is an international pharmaceuticals company focused on developing, manufacturing and distributing niche generic, over-the-counter brands and biosimilar products.	Iceland	2015
2	**DFE Pharma**	DFE is a global leading excipient manufacturer for the pharmaceutical industry.	Netherlands	2020
3	**Genetic**	Genetic is a leading pharma CDMO business which focuses on the development and supply of products into the respiratory, ophthalmic and oncology therapeutic areas.	Italy	2020
4	**Healthcare Global**	Headquartered in Bangalore, HCGEL is the largest provider of cancer care in India.	India	2020
5	**Hellenic Healthcare Group**	Hellenic Healthcare Group is the largest private hospital operator in Greece.	Greece	2017,2018
6	**Mehilainen**	Founded in 1909, Mehiläinen has a long and proud history of providing high quality and customer-centric healthcare and social care services to the Finnish population.	Finland	2018
7	**Recordati S.p.A**	Established in 1926, Recordati is dedicated to the research, development, manufacturing and marketing of pharmaceuticals, with a focus on treatments for rare diseases.	Italy	2018
8	**Sebia**	Founded in 1967, Sebia is a world-leading provider of clinical protein electrophoresis equipment and reagents, a technology used for in-vitro diagnostic testing.	France	2018
9	**Siloam International Hospitals**	Siloam International Hospitals is the leading private hospital operator in Indonesia both in terms of size and quality of medical services and facilities.	Indonesia	2016
10	**Theramex**	Theramex is a global specialty pharmaceutical company dedicated to women and their health.	UK	2018
11	**Vitalia Home**	Founded in 2000, Vitalia Home is a Spanish nursing home operator with around 5,750 beds across 44 homes and several new facilities currently under construction.	Spain	2017

Source: SMIFS Research

Industry Overview

According to a World Cancer Report by World Health Organization, India had an estimated ~1.16 million new cancer cases in 2018.Of the total cases, the six most common types of cancer cases in India were for breast cancer (162,500 cases), oral cancer (120,000 cases), cervical cancer (97,000 cases), lung cancer (68,000 cases), stomach cancer (57,000 cases), and colorectal cancer (57,000). Together, these account for 49% of all new cancer cases.The middle-income countries offer less than 15% of comprehensive cancer treatment services through their public health systems. India would be no different in this aspect.

Oncology situation in India

According to a World Cancer Report by World Health Organization, India had an estimated ~1.16 million new cancer cases in 2018. The finding of the report also estimated that that ***one in 10 Indians will develop cancer during their lifetime and one in 15 will die of the disease. Cancer is the second leading cause of death in India***. Of the total cases, the six most common types of cancer cases in India were for breast cancer (162,500 cases), oral cancer (120,000 cases), cervical cancer (97,000 cases), lung cancer (68,000 cases), stomach cancer (57,000 cases), and colorectal cancer (57,000 cases). Together, these account for 49% of all new cancer cases. A compelling reason for cancer investment even in low and middle income states is that, without accessible treatment capacity, patients and families will try to find funds to cover the costs. But the results are often as debilitating to finances as the disease can be to the body. In China, even after insurance pay-outs, cancer poses an unmanageable financial burden for 78% of families; in Vietnam, more than half of patients need to use up half of total household income to fund treatment; in India, 40% of patients have to borrow or sell assets to afford care.

In the last two decades, India has been one of the world's best performing emerging economies, which has grown by more than ~7% annually in most years. ***This development of the economy has given rise to multiple socioeconomic changes, with an increasing risk of non-communicable diseases, including cancer, and significant disparities in access to cancer prevention and control services. According to the WHO report, global cancer rates could rise by 60% over the next 20 years unless cancer care is ramped up in low and middle-income countries***. The middle-income countries offer less than 15% of comprehensive cancer treatment services through their public health systems. India would be no different in this aspect. ***The patterns of cancer are dominated by a high burden of tobacco-related head and neck cancers, particularly oral cancer, in men and of cervical cancer in women in India. These cancer types are associated with lower socioeconomic status. Moreover, the burden of cancer types, such as breast cancer and colorectal cancer, associated with overweight and obesity, lower levels of physical activity, and sedentary lifestyles is increasing and these cancer types are associated with higher socioeconomic status***.

Industry Overview

Tobacco-related cancers account for 34–69% of all cancers in men, and constitute 10 –27% of all cancers in women in most regions in India.

Around 80% of the world's smokers live in low and middle-income countries. In addition to this, ***64% of the world's daily smokers live in only 10 countries and more than 50% of the world's male smokers live in three countries: China, India, and Indonesia***. In India, currently there are 164 million users of smokeless tobacco, 69 million smokers, and 42 million smokers and chewers. Of the total cancer patients, more than 90% of the patients with oral cancer have low or lower-middle socioeconomic status. Moreover, tobacco-related cancers account for 34–69% of all cancers in men, and constitute 10–27% of all cancers in women in most regions in India.

Even though the cost of cancer treatment in India is significantly lower than other countries, high quality cancer care is still inaccessible to a large proportion of the Indian population.

As per National Health Profile 2019 data, common cancer cases have increased significantly between 2017 and 2018, which are mainly from the lifestyle habits with the likes of smoking, drinking, lack of exercise, unhealthy eating and use of tobacco in any form of smoking, sniffing or chewing. Another main reason for rising cancer is the increasing lifespan, and it has also been found out that about two-third of the increase is due to longevity. The Cancer Treatment Cost in India mainly depends on the type of cancer, treatment options, etc., where if the treatment cost is compared with other developing countries, then India is the most reasonable country in terms of offering reasonable cancer treatment packages. Even though the cost of cancer treatment in India is significantly lower than other countries, high quality cancer care is still inaccessible to a large proportion of the Indian population with patients having to travel outside their towns to avail of cancer treatment. Additionally, the profile of cancers in the country are also changing, and are becoming similar to that seen in more urbanised and higher income societies.

According to GLOBOCAN 2018 data, there were 11,57,294 new cancer cases in India in both men and women, with 7,84,821 deaths and 22,58,208 people living with cancer (within 5 years of diagnosis).

According to GLOBOCAN 2018 data, there were 11,57,294 new cancer cases in India in both men and women, with 7,84,821 deaths and 22,58,208 people living with cancer (within 5 years of diagnosis). ***The top 5 cancer that affect Indian population are Breast, Oral, Cervical, Gastric and Lung cancers***, where Breast Cancer is one of the leading diseases in India and along with that Oral cancer is also a major concern as out of 3 lakh cases detected annually, where 86% are from India only. The main risk to develop oral cancer is through consumption of tobacco and alcohol.

With 1.3 billion people, India is the world's second most populous country. The country will outnumber china in after 2022. The only hindrance to this is that, young Indians are unable to procreate.

Infertility has emerged as one of the most common health issues that many young couples have been facing.

To treat infertility primarily there are two methods Intrauterine Insemination (IUI) and In-Vitro Fertilization (IVF).

Reproductive fertility situation in India

With 1.3 billion people, India is the world's second most populous country. As per the United Nations, the country will outnumber China (1.4 billion) in population after 2022. The only hindrance to this is that, young Indians are unable to procreate. As per the UN, ***the fertility rate of Indians has declined significantly by more than 50% from 4.97 to 2.23 and is further expected to decline to 2.1 by CY 2025-30 and to 1.86 by CY 2045-50***. But the fertility rate of 2.2 is generally considered as the fertility replacement level. If the fertility rate goes below this number the population rate will definitely decline.

Over the last few years, Infertility has emerged as one of the most common health issues that many young couples have been facing. According to many clinicians and health experts, ***sedentary lifestyles with minimum physical activity, rising stress level and irregular sleep pattern are few of the reasons that are causing infertility, thus forcing them to opt for artificial ways of conceiving***. Infertility at present, affects about 10% to 14% of the Indian population, with higher rates in urban areas where one out of six couples is impacted, according to the Indian Society of Assisted Reproduction. ***About 27.5 million couples are known to actively trying to conceive suffer from infertility in the country***. The outcome of infertility will have its effect on different aspects of the life of the individual and nation.

To treat infertility primarily there are two methods Intrauterine Insemination (IUI) and In-Vitro Fertilization (IVF). In vitro fertilization (IVF) process involves fertilization of egg cells by sperm outside the body, in a laboratory dish, and then implanting it in a woman's uterus. It is a type of assisted reproductive technology which is used to treat fertility or genetic problems to assists with the conception of child. ***Due to low awareness toward this technique in the society, IVF market in India is significantly underpenetrated relative to the potential demand. Despite this, the India IVF services market is projected to reach $1.453 billion by 2026, registering a CAGR of 14.7% during 2018-26***. Moreover, rise in the prevalence due to increase in risk factors, such as obesity, stress, polycystic ovarian syndrome (PCOS), sexually transmitted infections, endometrial tuberculosis, and other medical conditions, are expected to bolster market growth.

Key Risks

- **Slow ramp up of hospitals, assumptions on occupancy, ARPOB not converging in actual terms**

  Our model has been built assuming defined set of ARPOBs and occupancies for the various locations in which HCGEL operates its hospitals. If these assumptions do not fructify in reality, our projected figures of revenue, EBITDA, PBT and PAT will be at risk. Our estimates have also factored in steadily improving performance of new hospitals, if the ramp up of these is slow then again the projected figures will be at risk

- **Price regulation**

  The intrinsic value of a service is more than just the cost of inputs. Any attempt to regulate the prices of healthcare inputs without addressing and providing for the comprehensive costs of providing quality services, will cripple the sector's finances, and compromise quality of care. While traditionally, regulations have focused on licensing and approvals, recently, the Government has also begun regulating prices of drugs and consumables. While the intent to make healthcare more affordable is laudable, it is important to ensure that healthcare providers are able to remain financially sustainable in the long-term.

- **Increase in competitive intensity**

  Competitive intensity and presence of speciality/multi speciality hospitals have increased, especially in key markets in the country. Over capacity has also been observed in some pockets. Every player from the organised and unorganised sectors, particularly in metros and Tier 1 cities, is striving for market leadership. This could lead to cut-throat competition and unfair practices for survival.

SWOT Analysis

Strengths

- Strong brand position.
- Resilient business model with leadership in oncology space.
- Niche in fertility and precision diagnostics

Weaknesses

- Lack of diversification—82% of revenues from oncology.

Opportunities

- Private equity investment from CVC.
- Expansion in Tier 2 and Tier 3 cities, three years from now.
- Expansion in African countries, three years from now.

Threats

- Government regulations.
- Competition from peers.

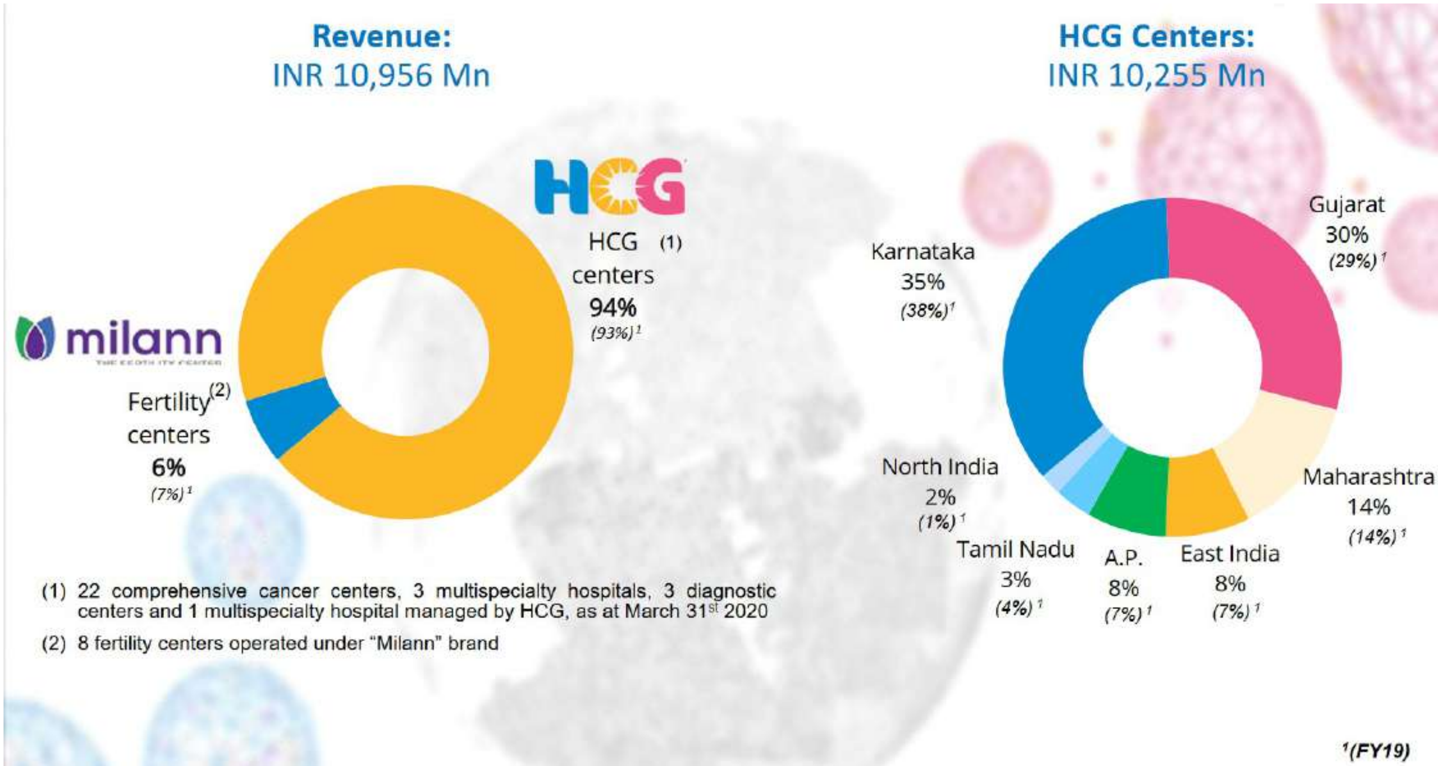
Company Overview

HealthCare Global Enterprises Ltd (HCGEL) was established in 1989 by a group of oncologists led by Dr. B. S. Ajaikumar. Dr. B.S. Ajaikumar is one of the leading oncologists in the country with 40+ years of experience in the field of cancer care. HCGEL today is the largest provider of cancer care in India under the "*HCG*" brand.HCGEL also has a fertility business under the "*Milann*" brand. In addition, HCGEL has a 38.2% stake in "*Strand Life Sciences Private Ltd*", which is an integrated speciality diagnostics company.

Healthcare Global Enterprises Ltd (HCGEL) was established in 1989 by a group of oncologists led by Dr. B. S. Ajaikumar. Dr. B.S. Ajaikumar is one of the leading oncologists in the country with 40+ years of experience in the field of cancer care. ***HCGEL today is the largest provider of cancer care in India under the "HCG" brand. It owns and operates comprehensive cancer diagnosis and treatment services (through radiation therapy, medical oncology and surgery). As of December 31, 2020, HCG network consisted of 22 comprehensive cancer centres, including its centre of excellence in Bengaluru, and 1 centre in Africa***. Each of its comprehensive cancer centres offers, at a single location, comprehensive cancer diagnosis and treatment services (including radiation, medical oncology and surgical treatments). HCG's freestanding diagnostic centres and its day care chemotherapy centre offer diagnosis and medical oncology services, respectively. HCG follows a multidisciplinary approach to cancer care across the HCG network, wherein specialist physicians from various disciplines collaborate to provide the best course of treatment for each patient. HCGEL also has a fertility business under the ***"Milann"*** brand through which it owns and operates comprehensive reproductive medicine services. In addition, HCGEL has a 38.2% stake in ***"Strand Life Sciences Private Ltd"***, which is an integrated speciality diagnostics company with end to end capabilities in precision medicine. Besides these, HCGEL also operates four (three owned and one managed) multi-speciality hospitals.

Hospitals business contributed roughly 94% of HCGEL's consolidated revenue for FY20 while 6% was contributed by Milann. Total revenue for FY20 was Rs 10,956 mln. Within hospitals business, Karnataka was the largest contributor to hospitals revenue -35% followed by Gujarat – 30%, followed by Maharshtra – 14%. East India and Andhra Pradesh contributed 8% each respectively while Tamil Nadu contributed 3% and North India – 2%.

HCGEL—Revenue Mix for FY20



Source: Company Data. Currently 7 fertility centres are operated by Milann

HCG Centres—Operating Metrics for FY20

No. of Centers	Beds	Avg. Occupancy Rate
FY20: 25	FY20: 2,071	FY20: 42.9%
FY19: 24	FY19: 1,872	FY19: 43.7%
		↓ 81 bps

ALOS (Days)	ARPOB (INR / Day)
FY20: 2.27	FY20: 32,767
FY19: 2.25	FY19: 31,423
↓ 2 bps	↑ 4.3%

Revenue (INR mn)	Operating EBITDA Margin
FY20: 10,255	FY20: 14.8%
FY19: 9,143	FY19: 17.6%
↑ 12.2%	↓ 272 bps

Note: Effective 1 April 2019, the Company has adopted IND AS 116 'Leases' standards, applied to lease contracts existing on 1 April 2019. The effect of this adoption for the year ended 31 March 2019 have not been retrospectively adjusted. Unless specified, the EBITDA numbers exclude IND AS 116 adjustments.

- ARPOB for existing centers at INR 33,225 against INR 31,171 in FY19
- ALOS at 2.27 on account of trend towards day care procedures and changing patient profile
- Operating EBITDA margins impacted with scale-up and losses of new centers
- Existing centers operating EBITDA margin declined by 73 bps to 21.1% in FY20 from 21.8% in FY19

Notes:

(1) No. of Centers includes Cancer and Multispecialty hospitals operated under HCG brand and managed by HCG

(2) Number of beds in operation as at the last day of the period

(3) Occupied Bed Days calculated based on mid-day census

(4) Average Occupancy Rate ("AOR") calculated as Occupied Bed Days divided by available bed days in the period

(5) Average Revenue per Occupied Bed ("ARPOB") calculated as Revenue (gross for the hospital) divided by Occupied Bed Days

(6) Average Length of Stay ("ALOS") calculated as Occupied Bed Days divided by number of admissions (including day care admissions)

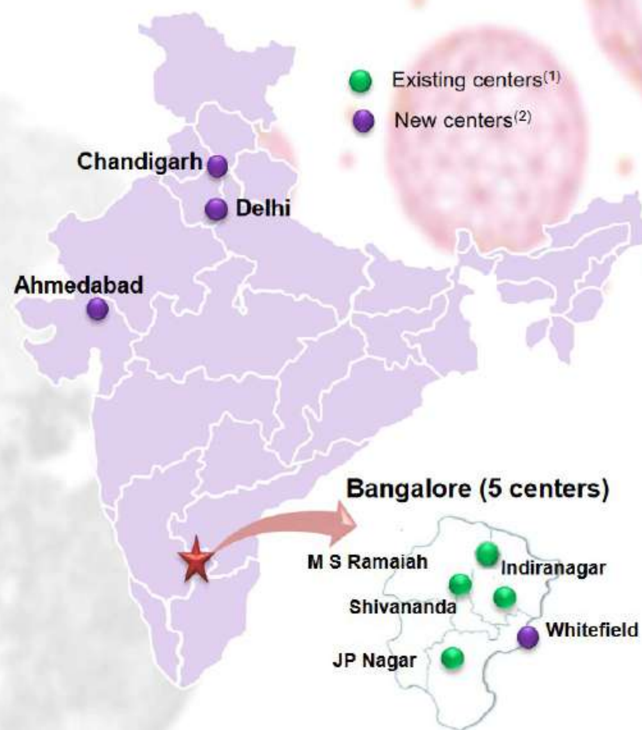
(7) Operating EBITDA margin before corporate expenses

Source: Company Data.

Milann—Operating Metrics for FY20

	FY20	FY19	Growth
New Registrations	5,481	5,688	-3.6%
IVF Cycles	2,195	2,045	7.3%
Revenue (INR Mn)	701	644	9.0%

- New Registrations declined by 3.6% y-o-y for FY20
- Whitefield center continues to ramp-up well
- Leadership in attractive Bangalore market



(1) Centers in operation prior to April 1, 2016, i.e. Shivananda, JP Nagar and Indiranagar
(2) Mumbai Center exited in Q3-FY19

Source: Company Data. Milann has exited from Ahmedabad in Q2FY21

Key Management Team

- **Dr. B.S. Ajaikumar, Founder and Chairman.**

Dr. B.S. Ajai Kumar is the chairman of HCGEL. Dr. Ajai Kumar founded HCGEL to realize his vision of making advanced cancer care accessible to all. He has been the driving force behind HCG's growth since inception.

Dr. Ajai Kumar's contribution to the field of cancer care in India as well as his successes as a first generation physician entrepreneur has been widely recognized. He has been awarded the Ernst and Young Entrepreneur of the Year Award, the CII Regional Emerging Entrepreneurs Award, and the BC Roy Award by the Indian Science Monitor. He is also a recipient of the Karnataka Rajyotsava Award.

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 St. Johns Medical College, Bangalore.

- **Dr. Kamini Rao, Medical Director of Milann.**

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***.

She has completed her post graduate diploma in medical law and ethics from the National Law School of India University, Bengaluru, a diploma in obstetrics from the Royal College of Physicians of Ireland, a diploma in child health from the Royal College of Physicians of Ireland and the Royal College of Surgeons in Ireland. She holds a master's degree in obstetrics and gynaecology from the University of Liverpool and an MBBS from Bangalore University.

Key Management Team

- **Mr. Raj Gore, Chief Executive Officer.**

Mr. Raj Gore has been appointed as the Chief Executive Officer of HCGEL from 1st February, 2021. ***Mr. Raj Gore is a seasoned global professional with more than 21 years of diverse experience in business management in North America, Asia, & Africa, with a focus on healthcare for the past 17 years.*** He has led business transformation and financial turnaround of acquired healthcare companies in India, Mauritius, and Vietnam and created sustainable growth momentum and value for these organizations.

In his previous role, he was the Chief Executive Officer – Southern Region of Apollo Hospitals Enterprise Limited, and was responsible for overall business portfolio of the largest region for Apollo with 15 facilities in the states of Tamil Nadu & Andhra Pradesh. Before joining Apollo, he worked with Fortis Healthcare Limited as Chief Growth Officer (India) & Chief Operating Officer – NCR.

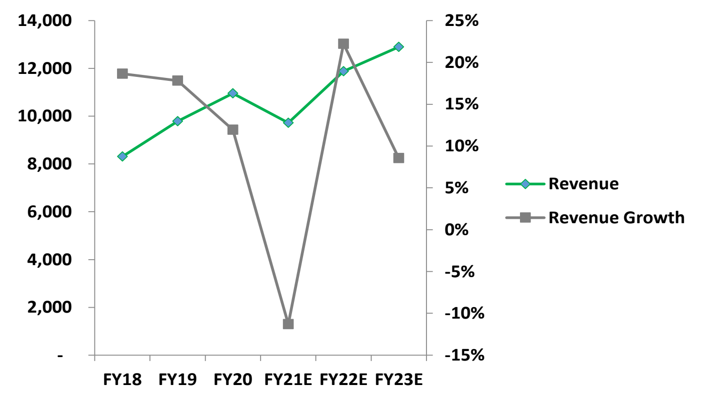
- **Mr. Srinivasa Raghavan, Chief Financial Officer.**

Mr. Srinivasa Raghavan is the Chief Financial Officer of HCGEL. ***Srinivasa Raghavan has around 28 years of diversified business experience, including over 20 years as CFO in IT, ITeS and manufacturing industries. He has been a strong strategic business partner with global exposure, driving strong controllership and compliance environment, supporting business leaders, to drive and sustain a high culture of performance with key focus on business outcomes and results.*** He was a CFO of Computer Sciences Corporation (India), Logica (Global Operations) and General Electric (GE Lighting and GE Capital). He has also worked in Motorola and other companies. He has made immense contributions by driving growth agenda, business turnaround, efficiency and rationalization, cost management, restructuring, M&A and institution of governance systems and processes to ensure compliance and controllership.

He is a recipient of CFO “League of Excellence” Award by CFO 100 and is certified in Six Sigma (green belt). He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and a Cost and Works (Management) Accountant from the Institute of Cost and Works Accountants of India.

Key Performance Indicators

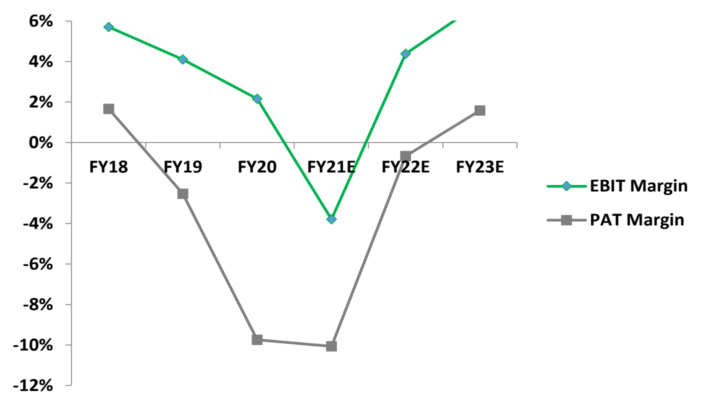
Revenue & Revenue Growth



Source: Company Data, SMIFS Research

Revenue from operations is expected to grow at a CAGR of 6% between FY20 and FY23E. EBITDA is expected to grow at a CAGR of 10% during the same period.

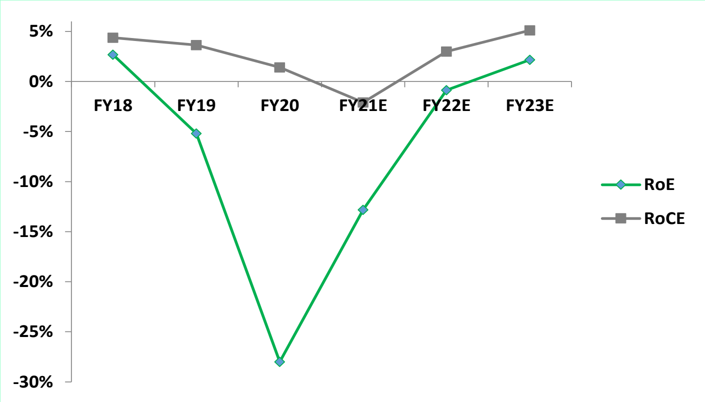
Profit Margins



Source: Company Data, SMIFS Research

EBIT Margin is expected to improve from 2.2% in FY20 to 7.1% in FY23E. PAT Margin is expected to improve from –9.7% in FY20 to 1.8% in FY23E.

RoE and RoCE



Source: Company Data, SMIFS Research

RoE changes from –28% in FY20 to 2.5% in FY23E while RoCE changes from 1.4% in FY20 to 5.4% in FY23E.

Key Performance Indicators

EPS Growth

Source: Company Data, SMIFS Research

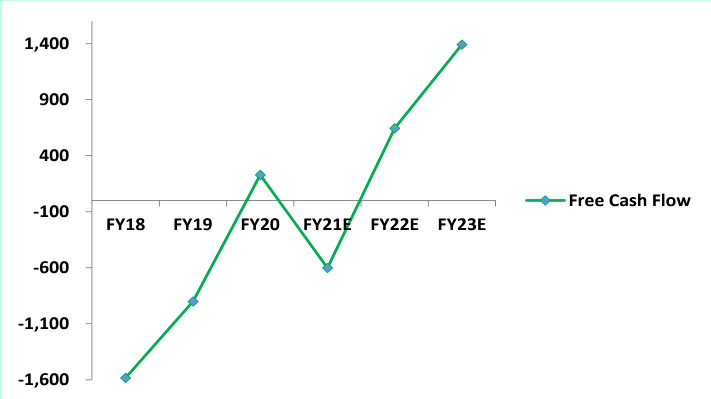
EPS is expected to grow from Rs –7.69 in FY20 to Rs 1.71 in FY23E.

Debt/Equity Ratio

Source: Company Data, SMIFS Research

Our assumptions indicate a steady decrease in Debt/Equity ratio from 1.88 in FY20 to 0.13 in FY23E.

Free Cash Flow Generation



Source: Company Data, SMIFS Research

Free Cash Flow is expected to improve significantly from Rs 227 mln in FY20 to Rs 1,426 mln in FY23E.

Outlook and Valuation

HCGEL through its brand ***"HCG"*** is the largest provider of cancer care in India and is the only listed player in India catering exclusively to the oncology space. As of December 31, 2020 HCGEL owns and operates 22 comprehensive cancer care centres. HCGEL is also the leading fertility treatment provider in India through its ***"Milann"*** brand besides having a 38.2% stake in ***"Strand Life Sciences Private Ltd"***, which is an integrated speciality diagnostics company and operating four (three owned and one managed) multi-speciality hospitals.

The most interesting thing that happened to HCGEL recently was the infusion of funds by private equity player, CVC and by Dr. B.S. Ajaikumar. CVC has put in money (shares and warrants) amounting to Rs 5128 mln. On top of this, Dr. Ajaikumar has also put in money in the form of warrants amounting to Rs 65 mln. ***So, in total Rs 5193 mln has already been received by HCGEL. A balance of around Rs 1317 mln is still receivable from CVC and Dr. Ajaikumar taking the total investment to around Rs 6510 mln***. An open offer was triggered subsequent to CVC's subscription of shares and CVC now holds 49.9% of HCGEL shares with its shareholding rising to 53.4% upon conversion of all warrants in FY22.

HCGEL was on a capex overdrive between FY18 and FY20 when Rs 2662 mln, Rs 2199 mln and Rs 2141 mln were added to its gross tangible assets block in FY18, FY19 and FY20 respectively. In fact, nine new comprehensive cancer care centres were added between FY16 and FY20 which led to the decline in EBITDA margin and RoCE. HCGEL is done with its major capex plan barring small amounts related to its Gurgaon comprehensive cancer care centre. Thus, the ***picture of EBITDA is expected to improve for the projected years FY21 to FY23. Further, incremental depreciation charge would also be low and recourse to additional debt to fund the expansion would not be necessary at all***. ***HCGEL is also expected to return to black in terms of net profit in FY23 given the improvement in profitability of the new centres of HCGEL, cost reduction drives, and reduction in depreciation and finance charges. Significant deleveraging because of the fund infusion as narrated above and low capex between FY21 and FY23 are expected to improve the debt-equity ratio from 1.88 in FY20 to 0.13 in FY23***.

HCGEL entered into a share purchase agreement with the minority shareholders of BACC Health Care Private Ltd. (Milann) to purchase 49.9% of BACC Health Care at a cost of Rs 683.35 mln. Milann is thus now a wholly owned subsidiary of HCGEL and HCGEL will now have a free hand in deciding whether to sell this business or not.

The appointment of Mr. Raj Gore as the CEO is also a positive move given his illustrious background. Given the niche space of oncology in which HCGEL operates, the turnaround in profitability that is expected to happen in FY23, and the private equity investment that has happened, we believe that a 15x EV/EBITDA multiple is justified and accordingly we have valued the stock at 15x FY23 EBITDA to arrive at a **Target Price of Rs 201**, which provides an upside of 33% based on the current market price. We thus recommend a **"Strong Buy"** rating on the stock.

Peer Comparison

Peers	No. of beds	Market Cap	EV/EBITDA		P/E		P/B		RoE(%)	
		Rs mln	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Healthcare Global	**2,036**	**18,978**	**24.6**	**15.2**	**NA**	**NA**	**2.8**	**2.3**	**-13.7%**	**-0.5%**
Apollo Hospitals	10,197	3,96,134	32.7	18.8	663.1	46.5	11.2	9.2	1.7%	19.8%
Narayana Hrudayalaya	6,663	95,365	72.1	18.3	-162.9	33.9	9.6	7.5	-5.9%	22.1%
Fortis Healthcare	3,700	1,33,892	34.9	17.8	NA	55.0	1.9	1.8	-0.7%	3.3%

Source: SMIFS Research.

Financial Details

Income Statement Extract (Consolidated)					
Particulars (INR mln.)	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Revenue from operations	**9787**	**10956**	**9881**	**12120**	**13147**
Revenue Growth	18%	12%	-10%	23%	8%
Cost of goods sold	**2186**	**2399**	**2310**	**2703**	**2932**
Employee benefits expenses	**1845**	**2080**	**1940**	**2303**	**2472**
Other expenses	**4503**	**4756**	**4390**	**5102**	**5443**
EBITDA	**1252**	**1722**	**1241**	**2012**	**2301**
EBITDA Margin	**12.8%**	**15.7%**	**12.6%**	**16.6%**	**17.5%**
EBITDA Growth	5%	37%	-28%	62%	14%
Depreciation & Amortisation	851	1485	1627	1446	1366
EBIT	**401**	**237**	**-386**	**566**	**935**
Interest Cost	699	1377	1193	819	787
Other Income	74	70	161	160	180
PBT (Adjusted)	**-333**	**-1193**	**-1427**	**-73**	**349**
PAT (Adjusted)	**-248**	**-1067**	**-1023**	**-50**	**238**
Cash PAT	**603**	**417**	**603**	**1397**	**1604**
PAT Margin	**-2.5%**	**-9.7%**	**-10.4%**	**-0.4%**	**1.8%**
PAT Growth (Adjusted)		NM	NM	NM	NM

Balance Sheet (Consolidated)					
Particulars (INR mln.)	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Share Capital	879	887	1253	1388	1388
Reserves & Surplus	4343	3311	6409	7970	8250
Networth	**5222**	**4198**	**7662**	**9358**	**9638**
Long term Borrowings	**5,169**	**5,296**	**2,201**	**415**	**115**
Other Non-Current Liabilities	671	7280	7442	7456	7468
Short term Borrowings	**500**	**937**	**850**	**850**	**850**
Other Current Liabilities	4973	4821	3368	3441	3588
Total Equity & Liabilities	**16535**	**22532**	**21523**	**21520**	**21659**
Net Tangibile Asset	**10042**	**15508**	**14296**	**13662**	**12906**
Other Non Current Assets	3764	3986	4220	4293	4355
Inventories	**268**	**233**	**228**	**267**	**289**
Trade Receivables	**1569**	**1857**	**1678**	**2059**	**2233**
Cash and Cash Equivalents	205	317	479	608	1247
Other Current assets	688	631	621	631	629
Total Assets	**16535**	**22532**	**21523**	**21520**	**21659**

Source: Company Data, SMIFS Research

Financial Details

Cash Flow Statement Extract (Consolidated)

Particulars (INR mln.)	FY19	FY20	FY21E	FY22E	FY23E
PBT	**-334**	**-1193**	**-1514**	**-73**	**349**
Depreciation & Amortisation	851	1484	1627	1446	1366
Interest expense	699	1376	1193	819	787
(Increase)/Decrease in CA	-483	-431	159	-480	-245
Increase/(Decrease) in CL	504	205	-1718	-213	-140
Taxes Paid	-370	-267	0	0	-70
Cash Flow from Operating Activities	**985**	**1301**	**-297**	**1478**	**2026**
Capital Expenditure	-1886	-1074	-400	-800	-600
Cash Flow Investing Activities	**-2382**	**-1014**	**-400**	**-800**	**-600**
Increase/(Decrease) in Borrowings	1295	200	-2703	-1486	0
Dividend payments including tax	0	0	0	0	0
Cash Flow from Financing Activities	**835**	**-584**	**859**	**-550**	**-787**
Net Cash Flow	**-562**	**-297**	**162**	**129**	**638**
Closing Balance	**205**	**317**	**479**	**608**	**1247**

Key Ratios (Consolidated)

Particulars	FY19	FY20	FY21E	FY22E	FY23E
Margins					
Gross Margin	77.7%	78.1%	76.6%	77.7%	77.7%
EBITDA Margin	12.8%	15.7%	12.6%	16.6%	17.5%
PBT Margin (Adjusted)	-3.4%	-10.9%	-14.4%	-0.6%	2.7%
PAT Margin (Adjusted)	-2.5%	-9.7%	-10.4%	-0.4%	1.8%
DPS (INR)	-	-	-	-	-
Solvency Ratios					
Current Ratio	0.5	0.5	0.7	0.8	1.0
Debt/Equity (Ex INDAS116)	1.4	1.9	0.5	0.2	0.1
Net Debt/Equity (Ex INDAS116)	1.3	1.8	0.4	0.1	0.0
Interest Coverage	0.6	0.2	-0.3	0.7	1.2
Profitability Ratios					
RoE (ex goodwill)	-6.7%	-39.3%	-16.1%	-0.6%	2.9%
RoCE (ex goodwill)	4.0%	1.5%	-2.4%	3.5%	5.8%
RoE	-5.2%	-28.0%	-13.7%	-0.5%	2.5%
RoCE	3.6%	1.4%	-2.2%	3.3%	5.4%
Valuation Ratios(x)					
EV/EBITDA	24.4	17.7	24.6	15.2	13.3
EV/Sales	3.1	2.8	3.1	2.5	2.3
P/E	NM	NM	NM	NM	88.2
P/S	2.1	1.9	2.1	1.7	1.6
P/B	4.4	5.5	2.8	2.3	2.2
P/CFO	21.3	16.1	-70.5	14.2	10.3

Source: Company Data, SMIFS Research

Analyst Certification:

We /I, Shantanu Basu, CA, MBA, Research Analyst(s) of SMIFS Limited (in short "SMIFS / the Company"), authors and the names subscribed to this Research Report, hereby certify that all of the views expressed in this Research Report accurately reflect our views about the subject issuer (s) or securities and distributed as per SEBI (Research Analysts) Regulations 2014. 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 Research Report. It is also confirmed that We/I, the above mentioned Research Analyst(s) of this Research Report have not received any compensation from the subject companies mentioned in the Research Report in the preceding twelve months and do not serve as an officer, director or employee of the subject companies mentioned in the Research Report.

Terms & Conditions and Other Disclosures:

SMIFS Limited is engaged in the business of Stock Broking, Depository Services, Portfolio Management and Distribution of Financial Products. SMIFS Limited is registered as Research Analyst Entity with Securities & Exchange Board of India (SEBI) with Registration Number – INH300001474.

SMIFS and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Research Analysts. SMIFS generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this Research Report have been prepared by SMIFS and are subject to change without any notice. The Research 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 SMIFS Limited. While we would endeavor to update the information herein on a reasonable basis, SMIFS is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent SMIFS 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 policies of SMIFS, in circumstances where SMIFS might be acting in an advisory capacity to this company, or in certain other circumstances.

This Research 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 Research 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. Securities as defined in clause (h) of section 2 of the Securities Contract Act, 1956, includes Financial Instruments, Currency and Commodity Derivatives. Though disseminated to all the customers simultaneously, not all customers may receive this Research Report at the same time. SMIFS will not treat recipients as customers by virtue of their receiving this Research Report. Nothing in this Research 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 Research 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. SMIFS accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this Research 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. The information given in this report is as of date of this report and there can be no assurance that future results or events will be consistent with this information. The information provided in this report remains, unless otherwise stated, the copyright of SMIFS. All layout, design, original artwork, concepts and intellectual Properties remains the property and copyright of SMIFS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the SMIFS.

SMIFS shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, breakdown of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of SMIFS to present the data. In no event shall SMIFS be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the SMIFS through this report.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (a) Exchange Rates can be volatile and are subject to large fluctuations; (b) the value of currencies may be affected by numerous market factors, including world and notional economic, political and regulatory events, events in Equity & Debt Markets and changes in interest rates; and (c) Currencies may be subject to devaluation or government imposed Exchange Controls which could affect the value of the Currency. Investors in securities such as Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Since associates of SMIFS 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 Research Report.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may: (i) from time to may have long or short positions in, and buy or sell the Securities, mentioned herein or (ii) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the Financial Instruments of the Subject Company/ companies mentioned herein or act as an Advisor or Lender/Borrower to such Companies or have other potential/material Conflict of Interest with respect to any recommendation and related information and opinions at the time of the publication of the Research Report. Or at the time of Public Appearance. SMIFS does not have proprietary trades but mat at a future date, may opt for the same with prior intimation to Clients/ Investors and extant Authorities where it may have proprietary long/short position in the above Scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider Risk Appetite or Investment Objective of any particular Investor; Clients/ Readers/ Subscribers of this Research Report are requested to take independent professional advice before investing. The information provided herein should not be construed as invitation or solicitation to do business with SMIFS.

SMIFS 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 Research Report as of the last day of the month preceding the publication of the Research Report.

SMIFS encourages independence in Research Report preparation and strives to minimize conflict in preparation of Research Report. Accordingly, neither SMIFS and their Associates nor the Research Analysts and their relatives have any material conflict of interest at the time of publication of this Research Report or at the time of the Public Appearance, if any.

SMIFS 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.

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

SMIFS or its associates might have received any compensation for products or services other than investment banking or brokerage services from the subject companies mentioned in the Research Report in the past twelve months.

SMIFS or its associates or its Research Analysts did not receive any compensation or other benefits whatsoever from the subject companies mentioned in the Research Report or third party in connection with preparation of the Research Report.

Compensation of Research Analysts is not based on any specific Investment Banking or Brokerage Service Transactions.

The Research Analysts might have served as an officer, director or employee of the subject company.

Neither the Research Analysts nor SMIFS have been engaged in market making activity for the companies mentioned in the Research Report.

SMIFS may have issued other Research Reports that are inconsistent with and reach different conclusion from the information presented in this Research Report.

A graph of daily closing prices of the securities/commodities is also available at www.nseindia.com and/or www.bseindia.com, www.mcxindia.com and/or www.icex.com.

SMIFS submit' s that no material disciplinary action has been taken on the Company by any Regulatory Authority impacting Equity Research Analysis activities in last 3 years.

This Research 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 SMIFS 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.

For queries related to compliance of the report, please contact: -

Sudipto Datta, **Compliance Officer**

SMIFS Limited.

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5414 /91 33 6634 5414

Email Id.: **compliance@smifs.com |**Website: **www.smifs.com**