

01 September 2023

India | Equity research | Company Update

Rainbow Children's Medicare Ltd

Healthcare

Visit note : Distinctive pediatric hospital chain

Rainbow is one of the largest hospital chains in India with pure-play focus on pediatric needs. It operates through a hub and spoke model and its operations are spread across 6 cities including key metro towns like Hyderabad, Chennai, Bengaluru and New Delhi. Its network includes 16 hospitals which house ~1,655 beds and 3 outpatient clinics. Company is widening its reach in existing cities by adding 930 beds in a phased manner across 5 clusters in next 4 years. Most of the new beds will be a spoke to the existing hub hospital in the cluster and help raise occupancy and surgical revenue at the hub hospital. Focus on tier-1 cities and better payor mix (cash and insurance at 99% of revenue) has helped the company garner margins of 33.8% and ARPOB of INR 48,932 even when occupancy was lower at 55.4% in FY23.

Comprehensive suite of services in pediatric healthcare

Rainbow has established a reputation in pediatric healthcare with strong clinical expertise in managing complex diseases. Its range of services includes NICU and PICU, multi-specialty services, quaternary care (including multi-organ transplants), obstetrics and gynecology. The hub hospital focuses on tertiary and quaternary care while the spokes provide secondary care.

Payor mix and higher ICU beds driving ARPOB

Rainbow derives 70% of revenue from pediatric services and 30% from obstetrics (maternity care). Its asset-light hospital network (15/16 are leased), better revenue shares of cash and insurance beds (99% of revenue) and higher share of NICU and PICU beds (~32% of overall bed capacity) are fuelling margins (33.8% in FY23) and return profile (RoE at 25.4% and RoCE at 17.8%)

Network strengthening on cards

Rainbow is increasing its bed capacity by 56% to over 2,585 beds by FY27. It plans to add 90 beds in Hyderabad, 140 in Bengaluru, 180 in Tamil Nadu, 400 in Delhi NCR and 100 in Andhra Pradesh. It will incur capex of INR 6.5mn-7mn per bed, to be funded through internal accruals and cash on balance sheet (INR 4.74bn at end of Jun'23).

Financials & valuation

Over FY19-FY23, Rainbow added 6 hospitals and raised bed capacity by 42% (added 493 beds) to its network. Its revenue over FY19-FY23 has grown at 21.3% while EBITDA and PAT have surged faster at 27.8% and 47.5% respectively. EBITDA margin has scaled up by 641bps to 33.8%. The stock trades at 27x and 50.6x FY23 EV/EBITDA and P/E.

Financial summary

Y/E March (INR mn)	FY20A	FY21A	FY22A	FY23A
Net Revenue	7,194	6,500	9,738	11,736
EBITDA	1,970	1,628	3,049	3,964
EBITDA Margin (%)	27.4	25.0	31.3	33.8
Net Profit	557	400	1,383	2,108
EPS (Rs)	5.5	3.9	13.6	20.8
EPS % Chg YoY	25.0	(28.2)	245.5	52.5
P/E (x)	191.4	266.6	77.2	50.6
EV/EBITDA (x)	54.6	65.9	34.9	27.0
RoCE (%)	9.0	7.6	16.4	17.8
RoE (%)	13.7	9.4	26.4	25.4

Abdulkader Puranwala

abdulkader.puranwala@icicisecurities.com
+91 22 6807 7339

Rohan John

rohan.john@icicisecurities.com

Market Data

Market Cap (INR)	105bn
Market Cap (USD)	1,265mn
Bloomberg Code	RAINBOW IN
Reuters Code	RAIB.BO
52-week Range (INR)	1,185 /591
Free Float (%)	50.0
ADTV-3M (mn) (USD)	3.6

Price Performance (%)	3m	6m	12m
Absolute	5.4	39.8	70.2
Relative to Sensex	4.3	11.4	13.7

ESG Disclosure	2021	2022	Change
ESG score	-	-	-
Environment	-	-	-
Social	-	-	-
Governance	-	-	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

About the company

Rainbow established its first pediatric specialty hospital in 1999 in Hyderabad. Since then, the company has established itself as a leading multi-specialty pediatric and obstetrics and gynecology hospital chain in India, operating 16 hospitals and 3 clinics in 6 cities with bed capacity of ~1,655 beds. Its core specialties are pediatrics, which includes newborn and pediatric intensive care, pediatric multi-specialty services, pediatric quaternary care (including multi-organ transplants), and obstetrics and gynecology, which includes normal and complex obstetric care, multi-disciplinary fetal care, perinatal genetic and fertility care. Company follows a doctor engagement model whereby most of its core specialists work exclusively at their hospitals on a full-time retainer basis. This model ensures that most of its core specialists are available 24/7 on a roster basis at its hospitals, which is particularly important for children's emergency, neonatal and pediatric intensive care services. Currently, 735+ doctors have been employed with 14.7k+ deliveries conducted in FY23

Exhibit 1: Major milestones of the company

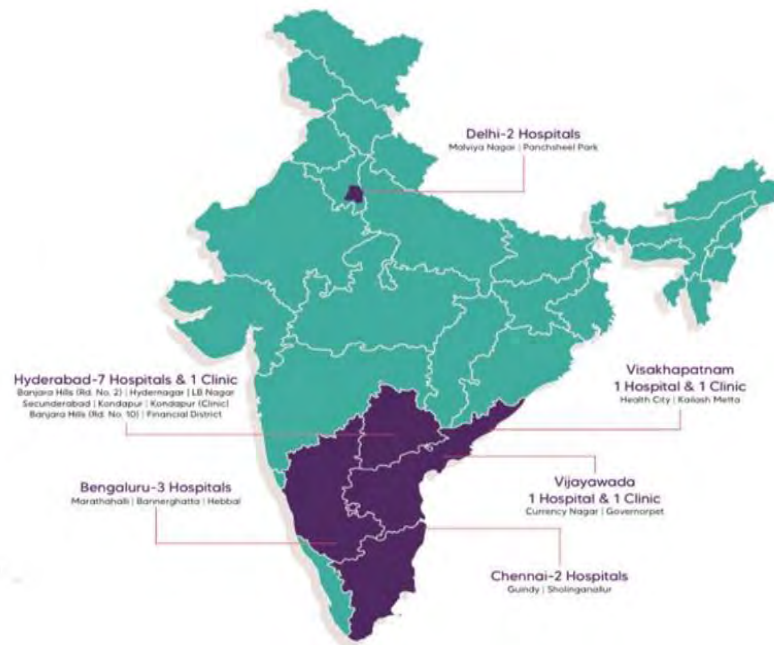
Calendar year	Major events and milestones
1999	Established their first hospital at Banjara Hills
2005	Expansion of Banjara Hills Facility to tertiary care
2007	Established Hospital at Vijayawada
2009	Established Hospital at Vikrampuri
2010	Established IVF facility at Madhapur Opening of outpatient clinic at Madhapur
2013	Established hospital at Kondapur CDC Group subscribed to 1,146,771 equity shares and 1,146,771 Series A CCPS of the Company Rainbow Institute of Medical Sciences Private Limited changed its place of business to 332, 4B, C1, Currency Nagar, Vijayawada-8.
2015	Established hospital at Hydernagar Established hospital at Marathalli
2016	CDC India subscribed to 1,133,309 Series B CCPS of the Company Established Hospital at Bannerghatta Road, Bangalore Established hospital at LB Nagar, Hyderabad
2017	Madhukar Rainbow Hospital at New Delhi commenced operations
2018	Established Hospital at Guindy, Chennai
2019	One of its subsidiaries, Rosewalk Healthcare Private Limited received certificate of establishment Started outpatient and IVF facility at Kondapur
2020	Established hospital at Byatarayanapura village, Yelahanka, Hubli, Bengaluru Established. hospital at Vizag
2021	Relocated and expanded its hospital at Vikrampuri Hospital
2022	Company listed on NSE and BSE Added one spoke hospital in Sholinganallur, Chennai
2023	Established its seventh hospital at Financial District, Hyderabad

Source: Company data

Hub and spoke model of expansion

Rainbow operates through a hub and spoke model, in which the flagship “hub” hospital in a particular city provides comprehensive outpatient and inpatient care with a focus on tertiary and quaternary care, and the spokes provide secondary care in pediatrics, obstetrics and gynecology and emergency services. This model provides patients access to high-quality super-specialty care in the hub hospital, while at the same time providing access to general pediatrics and obstetrics services closer to home at the spokes. Regional spokes are usually situated 200-250km from the city hubs and are equipped to provide high-quality pediatric, obstetrics and gynaecology care at tier-II cities. According to the company, The model allows the company to achieve the following objectives: i) financially prudent scale-up given the ability to set up spokes and lower costs, ii) network effect benefits and improved operational efficiencies.

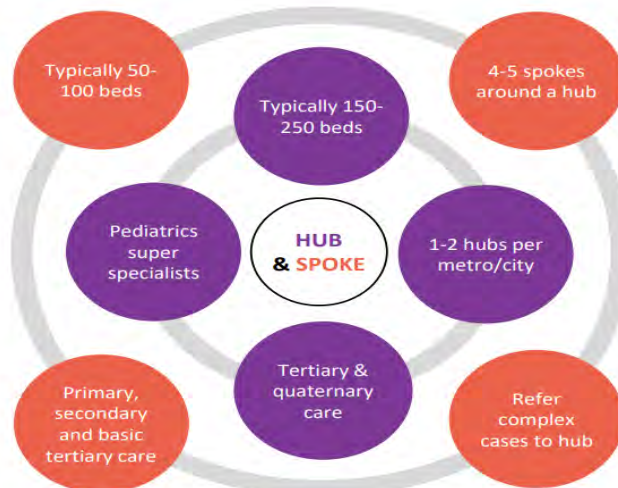
Exhibit 2: Geographical presence of the hospitals



Source: Company data

Exhibit 3: Hub and spoke model

City level hub and spoke model



Source: Company data

Hyderabad cluster

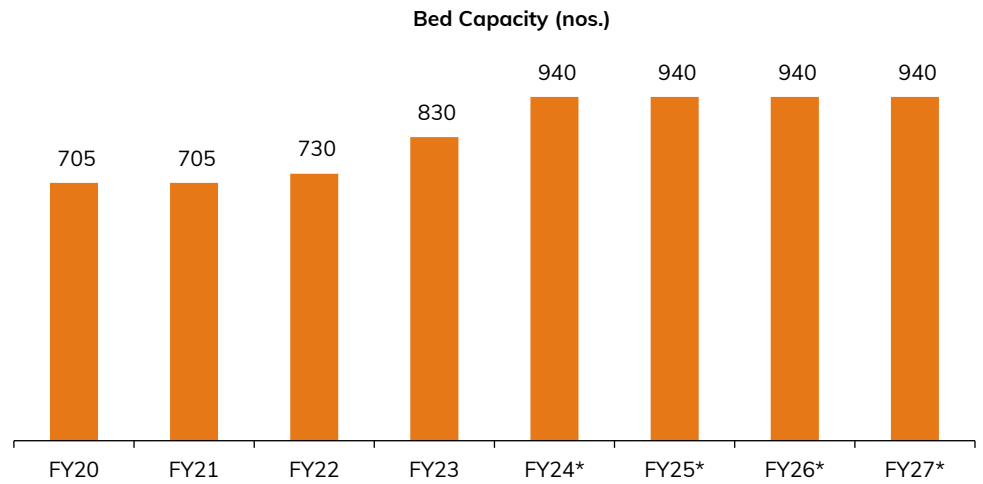
Rainbow operates 7 hospitals and 1 clinic, with the hub hospital (Banjara) located at the centre of the city. The hospital at Banjara was the first hospital of the group and commenced operations in 1999. The Hyderabad cluster currently has a total bed capacity of 830 beds and company expects to add another 110 in FY24

Exhibit 4: Hub and spoke model in Hyderabad



Source: Company data

Exhibit 5: 110 beds to be added in FY24 in the Hyderabad cluster



Source: Company data, I-Sec research

Note *: The projections represent the company estimates

Bengaluru cluster

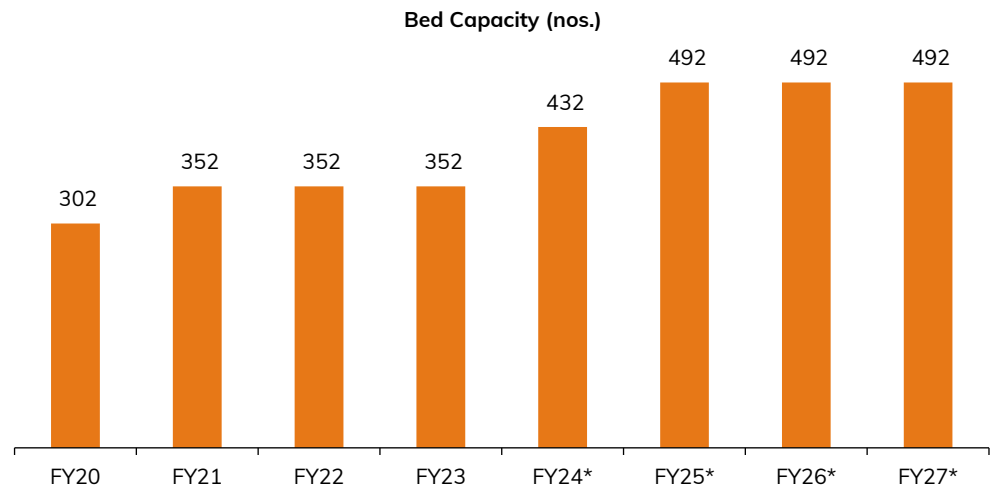
Rainbow commenced operations in this cluster in 2015, setting up a 200-bed tertiary care hospital in Marathahalli. Company currently has 3 locations in the regions with a total bed capacity of 352 beds. It intends to add ~140 beds over FY23-FY25 with 80 beds in Sarjapur (expected in FY24) and 60 beds in Hennur (expected in FY25), taking the total bed capacity to ~492 beds.

Exhibit 6: Hub and spoke model in Bengaluru



Source: Company data

Exhibit 7: New hospitals at Sarjapur and Hennur to take bed capacity to ~492



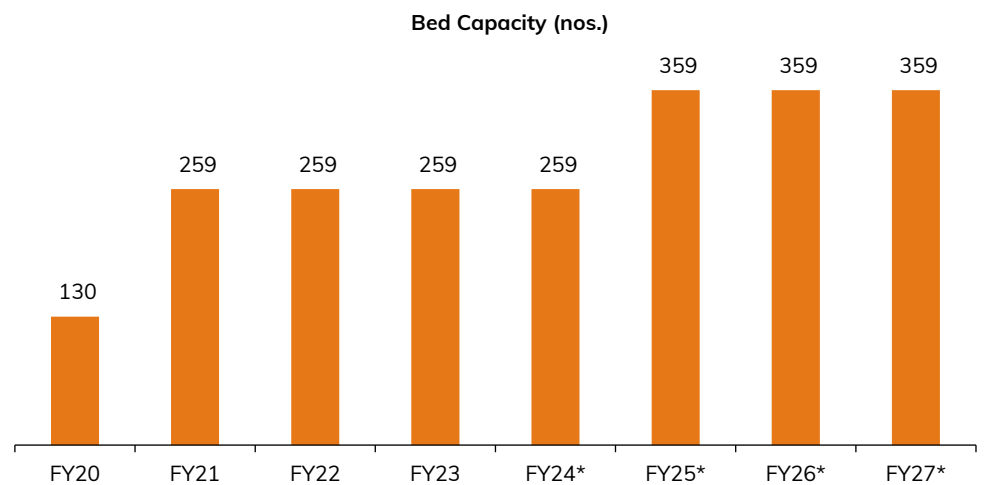
Source: Company data, I-Sec research

Note *: The projections represent the company estimates

Andhra Pradesh cluster

Rainbow entered the AP markets in 2007, with the establishment of a 130-bed hospital in Vijayawada. Company further expanded its presence in the region by setting up a 129-bed pediatric hospital at Visakhapatnam in Dec'20. In addition to this, it also operates: (i) one satellite outpatient clinic in Vijayawada, namely Rainbow Children's Hospital & Birthright by Rainbow Hospital – Governorpet, Vijayawada; and (ii) one satellite outpatient clinic in Visakhapatnam, namely Rainbow Children's Hospital & Birthright Clinic – Visakhapatnam, where it offers outpatient consultations in general pediatrics, other pediatric sub-specialties and obstetrics and gynecology and fetal medicine. Company intends to further deepen its presence in the region with a 100-bed hospital to be set up in Rajahmundry

Exhibit 8: Bed capacity in AP to reach 359 in FY25 with Rajahmundry hospital



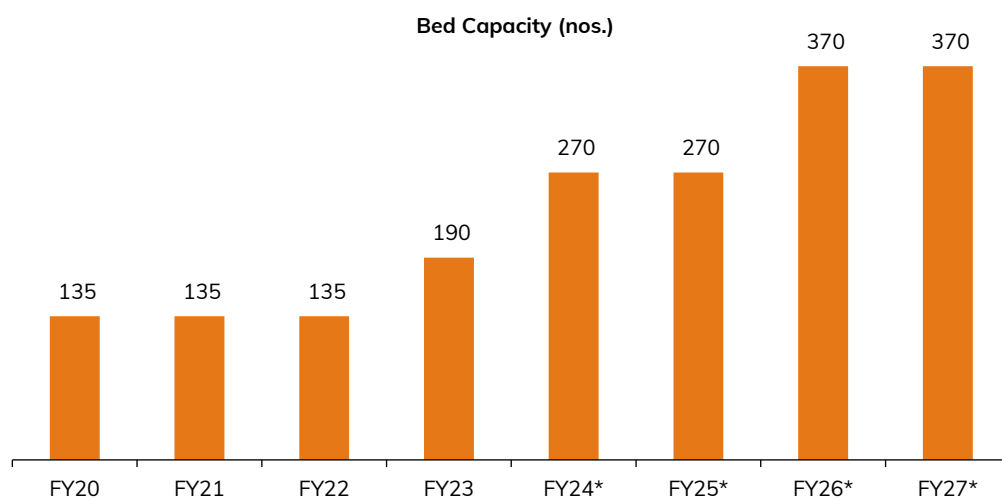
Source: Company data, I-Sec research

Note *: The projections represent the company estimates

Tamil Nadu cluster

Rainbow set up a 135-bed hospital (hub hospital) in Guindy, Chennai, in CY18, providing neurocritical services including CRRT, peritoneal dialysis and neuro-critical care services. It also provides neonatal hemodialysis for babies with rare diseases and inborn errors of metabolism at this hospital. The hospital has benefited from the strong brand image of Rainbow Children's Hospital in the state of Andhra Pradesh, which has helped refer children from the southern part of the state to this hospital. In CY22, the company added one spoke hospital (55 beds) in Sholinganallur. It intends to establish a ~80 bed hospital in Anna Nagar in FY24 and a 100-bed hospital in Coimbatore by FY26.

Exhibit 9: 180 beds to be added by FY26



Source: Company data, I-Sec research

Note *: The projections represent the company estimates

Delhi cluster

Rainbow acquired Rosewalk Luxury Hospital for Women, a 24-bed hospital in Jun'19. The hospital is a premium birthing centre to provide comprehensive care for pregnancy, fetal medicine and birthing experience. Apart from this, the company manages the inpatient department of Madhukar Rainbow Children's Hospital & Birthright by Rainbow Hospital, a 130-bed hospital located in the Malviya Nagar area of South Delhi. It has a 29-bed Level 4 neonatal ICU with 15 pediatric multi-disciplinary intensive care beds, capable of treating neonates and children. Company intends to set up 2 hospitals in Gurgaon with cumulative bed capacity of 400 beds by FY27.

Exhibit 10: Expansion plans and timelines

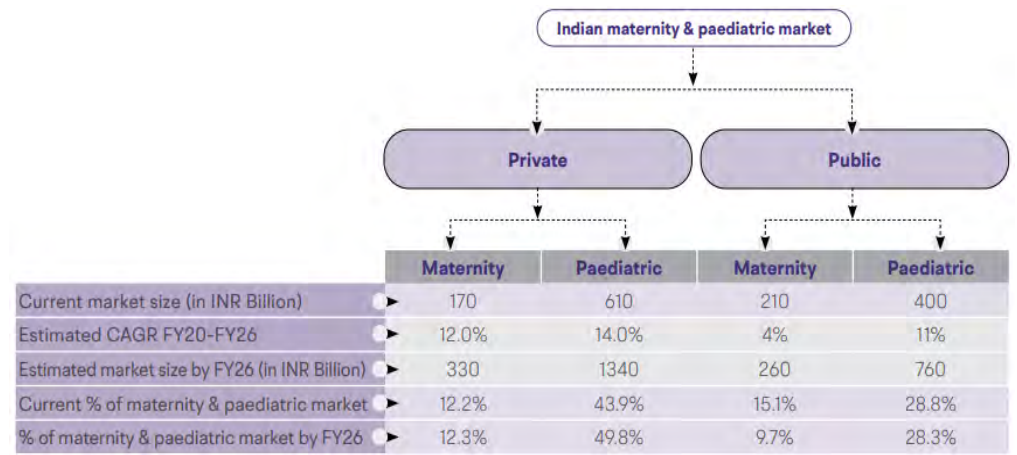
City/Cluster	Current Capacity	FY24	FY25	FY26	FY27	Total
Hyderabad	830	Central Hyderabad (~60) Hydernagar (New Block ~50)				940
Bengaluru	352	Sarjapur (~80)	Hennur (~60)			492
Tamil Nadu	190	Anna Nagar (~80)		Coimbatore (~100)		370
National Capital Region	24			Gurgaon-44 (~300) Gurgaon-56 (~100)		424
Andra Pradesh	259		Rajahmundry (~100)			359
Total beds	1655	270	160	100	400	2585

Source: Company data, I-Sec research

Industry overview

The expansion of private and public healthcare facilities, as well as increased knowledge about childcare and early identification of diseases, are expected to drive growth in the maternity and paediatric care market in India. In FY20, the combined market shares of paediatric and maternity care in hospitals was approximately 33% of the total hospital market, amounting to INR 1,390bn. Private maternity care held a 45% share of the total maternity market, and it is projected to expand at a CAGR of 12% between FY20-FY26, reaching a market size of INR 330bn. Similarly, the private paediatric care market constituted 60% of the overall paediatric market and is expected to register a CAGR of 14% during FY20-26, eventually achieving a market size of INR 1,340bn. (Source: CRISIL Research).

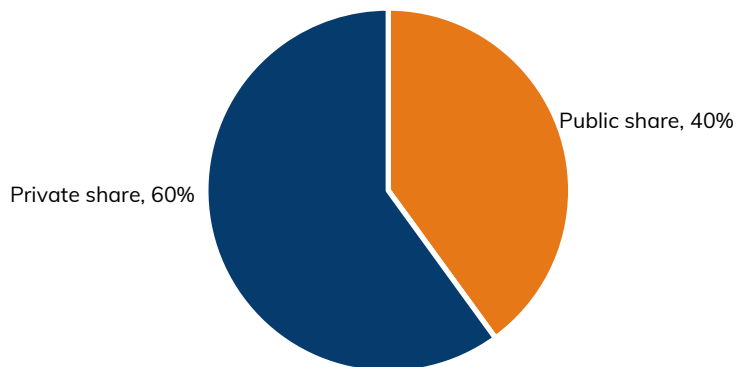
Exhibit 11: Indian maternity and pediatric market size



Source: Company data

Paediatric care is dedicated medical care for children with serious diseases. Paediatric care focuses on growth and development, nutrition, prevention of illnesses and treatment of illnesses in children. Paediatric care is facilitated by a panel of doctors, nurses and other expert caretakers who work together to provide medical care to children below 18 years of age. In India, paediatric healthcare services are offered by public hospitals through district level hospitals and other government healthcare facilities, private multispecialty hospitals through established PICU and NICU wards, standalone paediatric chains, children multi-specialty hospitals, standalone children hospitals, and mother & child hospitals.

Exhibit 12: Pediatric care: Public share vs Private share



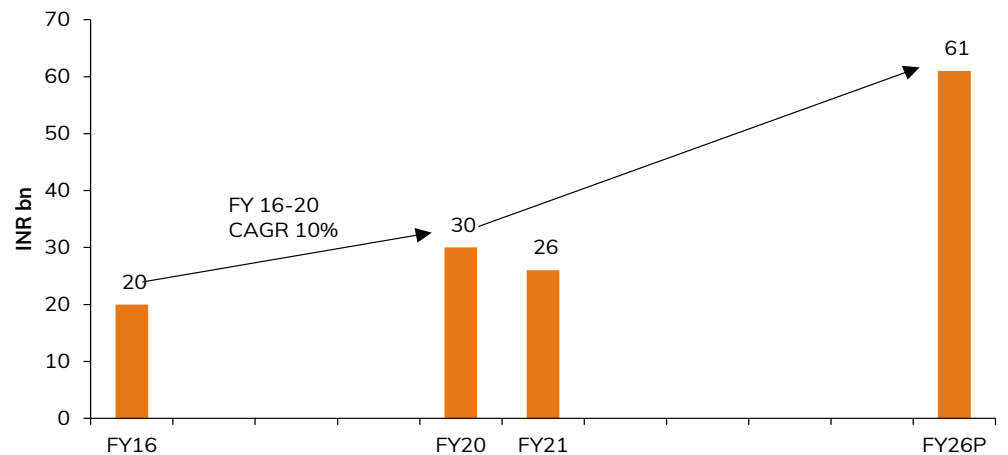
Source: Company data , I-Sec research

Overview of neo-natal Care market in India

A neonatal intensive care unit (NICU), also known as an intensive care nursery (ICN), is an intensive care unit (ICU) specialising in the care of ill or premature new-born infants. Neonatal refers to the first 28 days of life. NICU is typically directed by one or more neonatologists and staffed by resident physicians, nurses, nurse practitioners, pharmacists, physician assistants, respiratory therapists, and dietitians. Many other ancillary disciplines and specialists are available at larger units.

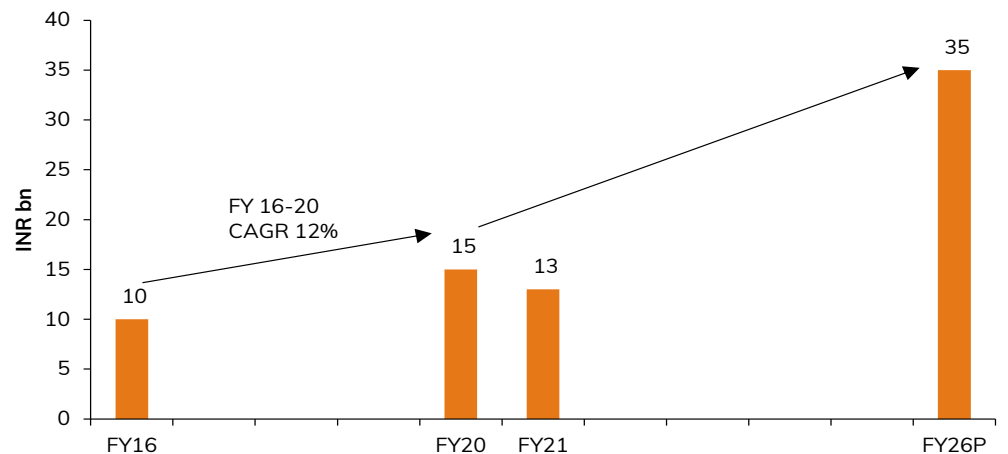
According to UNICEF, the share of India in the global neonatal deaths is over 20%. To control the NMR and IMR, Indian government launched India New-born Action Plan (INAP) in FY15 with the objective of work towards attainment of the goals of “Single Digit NMR by 2030” and “Single Digit SBR (Still Birth Rate per 1000) by 2030.”

Exhibit 13: Market size of the neonatal care(NICU) in India



Private NICU market size is around half of the total NICU market size in the FY21. According to CRISIL, the share of private NICU market is expected to increase in the upcoming years as the segment is anticipated to show a higher growth. Technical advancements to cater to niche areas and emergence of new private players in the NICU market is expected to boost growth. CRISIL Research projects CAGR 15% between FY20 and FY26P in private NICU market.

Exhibit 14: Market size of the private neonatal care(NICU) in India



Competition benchmarking

Exhibit 15: Key operational parameters of competition (FY20)

Parameter	Rainbow Children's Medicare	Surya Hospitals	Kids Clinic India Ltd	Rhea Healthcare Pvt Ltd	Apollo Cradle	Lineage Healthcare	Neonatal care & Research Institute
Number of Hospitals	14 hospitals;3 clinics	3 hospitals	20+ hospitals	11 hospitals, 3 clinics	14 hospitals , 8 clinics	1 Hospital	3 hospitals ,1 Clinic
Number of beds	1,475	322	900	353	471	14	90
Geographic presence	Hyderabad, Bengaluru, New Delhi, Vijayawada, Visakhapatnam and Chennai	Mumbai, Jaipur, and Pune	Bengaluru, Chennai, Mumbai, Gurugram, Pune, Chandigarh, Noida, Panchkula, and New Delhi	Bengaluru, Chennai, Coimbatore, Indore, Mumbai, Noida, Pune, Trichy, and Chandigarh	Bengaluru, Delhi-NCR, Hyderabad, Pune, Chennai, and Amritsar	Jaipur	Bengaluru
Specialty mix	Pediatric surgery, Neonatology, Pediatric ICU, Paediatric neurology, Paediatric nephrology, Pediatric Hemato oncology and BMT, Gastroenterology, Neurosurgery, Pediatric rheumatology, Kidney and Liver transplant, Pediatric Allergy, Paediatric endocrinology, Pediatric pulmonology, Dermatology, Urology, Psychiatry Obstetrics, Gynecology, High Risk pregnancy, Fertility etc.	High Risk Pregnancy, Gynecology, Endoscopy, Laparoscopic Gynecology Surgeries, Neonatology, Pediatric Intensive Care, Fertility, etc.	Maternity, Gynecology, Pediatric Care, Fertility, Radiology, Physiotherapy, Stem cell bank, Intensive care, Neonatal care, cosmetology etc	Gynecology, Fertility, Pediatrics, Neonatology, Cosmetology, Radiology, Physiotherapy, Pregnancy care etc.	Maternity, Gynecology, Neonatology, Pediatrics, Foetal medicine, Fertility, high Risk pregnancy etc.	Antenatal care, Neonatology, Stem cell preservation, Laparoscopic gynecology surgeries, Cosmetology & Cosmetic Surgeries etc	Maternal health, neonatal ICU, Pediatrics, fertility services, physiotherapy , Ultrasonography etc

Source: Company RHP

Exhibit 16: Key financial metrics of competitors (FY20)

Key financials (FY20)	Operating income		EBITDA		PAT	
	INR mn	CAGR FY18-20	INR mn	Margin (%)	INR mn	CAGR FY18-20
Rainbow Children's Medicare Ltd	7,194	34%	1,970	27.4	553	24%
Apollo Health & Lifestyle Ltd	6,964	23%	656	9.4	-770	NA
Kids Clinic India Ltd	5,163	21%	719	13.9	-331	NA
Rhea Healthcare Private Ltd	2,849	97%	-282	-9.9	-539	NA
Neonatal care & Research Institute Pvt Ltd	456	24%	-44	-9.6	-74	NA
Surya Hospitals Pvt Ltd	200	27%	44	22.0	25	84%
Lineage Healthcare Ltd	136	-4%	-11	-8.1	-96	NA

Source: Company RHP

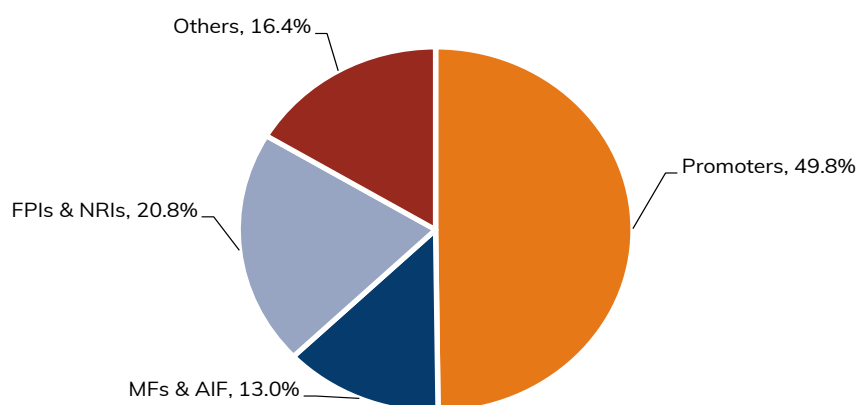
IPO details

Exhibit 17: IPO offer

Issue size	INR 15.8bn
Price band	INR 516 - INR 542
Fresh Issue	INR 2.8bn
Offer for sale	INR 13bn
Dilution of promoter stake	12.40%
Utilization of proceeds	Early redemption of NCDs issued by the company (INR 400mn), Capex towards new hospitals (INR 1.7bn) and general corporate purposes)

Source: Company data

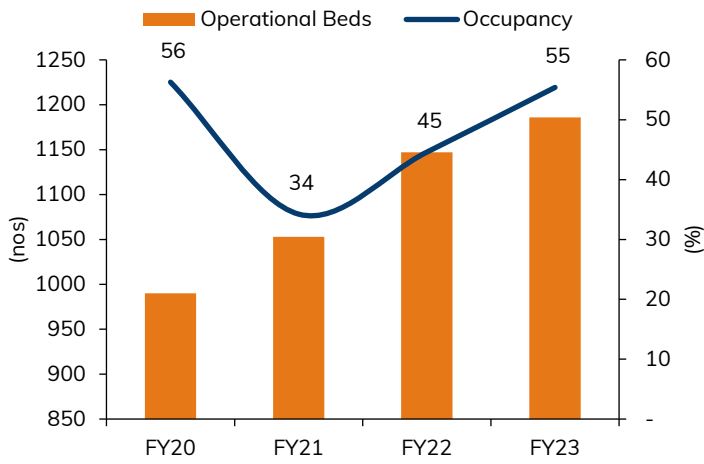
Exhibit 18: Shareholding pattern



Source: Company data

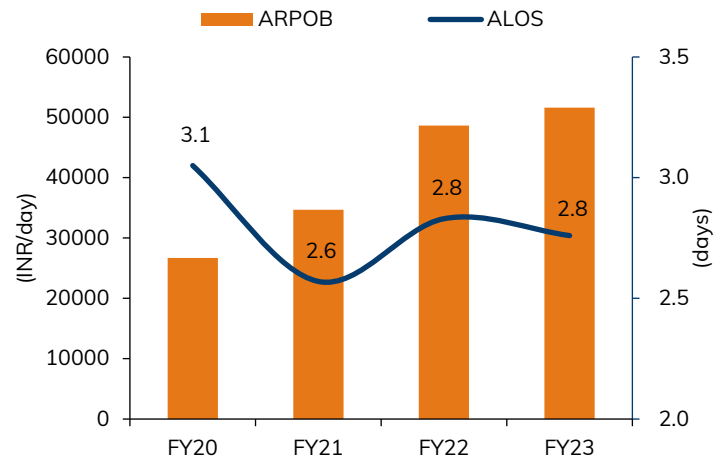
Story in charts

Exhibit 19: Occupancies have reached pre-covid levels



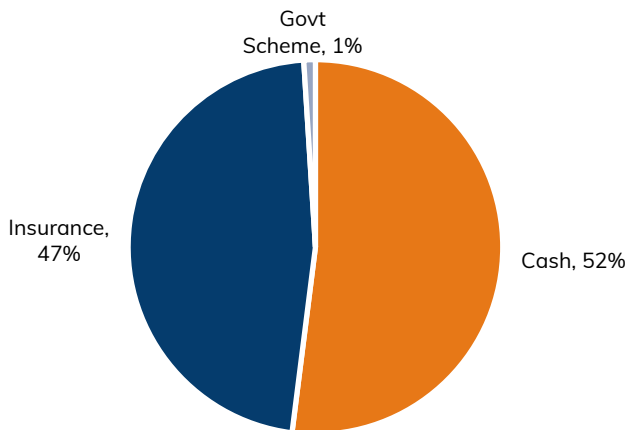
Source: Company data, I-Sec research

Exhibit 20: Price hikes and payor mix aided healthy ARPOB growth over the years



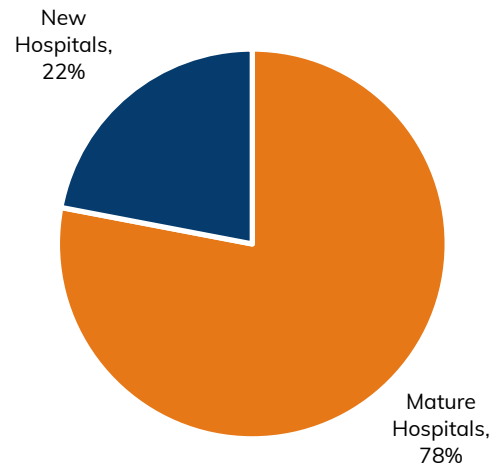
Source: Company data, I-Sec research

Exhibit 21: Favourable payor mix towards cash and insurance patients (FY23)



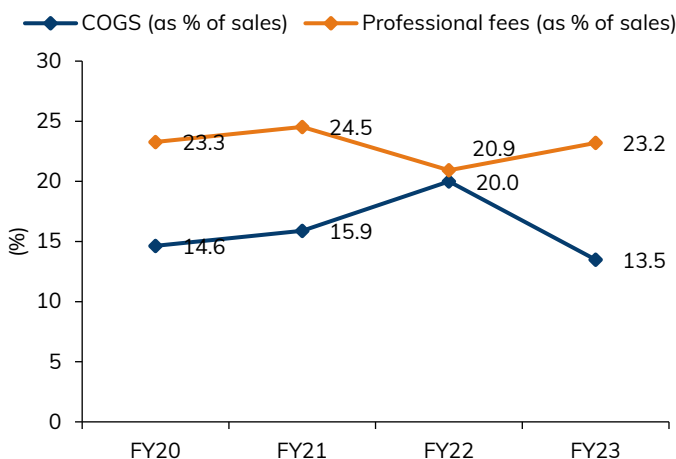
Source: Company data, I-Sec research

Exhibit 22: New hospitals currently account for ~22% of total revenue (FY23)



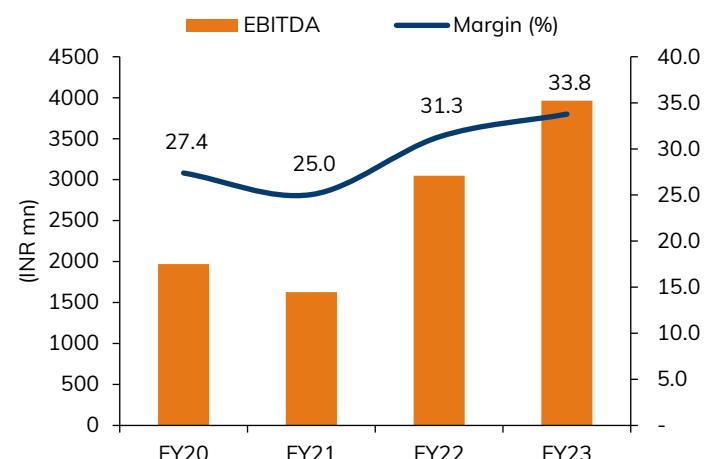
Source: Company data, I-Sec research

Exhibit 23: Cost trends over the years



Source: Company data, I-Sec research

Exhibit 24: EBITDA margin has been improving with healthy growth in ARPOB and better mix



Source: Company data, I-Sec research

Peer comparison

Exhibit 25: Operational metrics of key listed players

Hospital name	ARPOB (INR mn)	Operational beds	Occupancy (%)	ALOS (days)	In-patient count	Net debt	EV/Bed (INR mn)	EBITDA/Bed (INR mn)
						FY23	FY23	FY23
Fortis Healthcare	55,068	3,975	67	3.7	NA	5,630	54	2
Max	67,400	3,282	77	NA	NA	(7,791)	176	4
Medanta	59,098	2,049	59	3.3	1,35,161	(4,692)	88	3
KIMS	29,946	3,468	69	4.1	1,77,200	5,439	46	2
Rainbow's Children	48,932	1,186	55	2.8	86,864	4,667	95	3

Source: Company data, Bloomberg, I-Sec research

Exhibit 26: Relative valuation of listed hospital peers

Name	M Cap	EV/EBITDA (x)		P/E (x)		Consolidated RoE(%)	
	(INR bn)	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Fortis Healthcare	250	18.0	14.9	32.4	26.2	10.1	11.3
Max*	572	31.3	26.3	46.4	39.0	14.3	14.8
Medanta*	190	24.8	20.9	45.5	37.9	16.0	16.4
KIMS	160	24.2	20.2	45.1	37.7	19.4	19.1
Rainbow's Children*	107	19.5	17.1	32.0	28.9	26.7	23.5

Source: Bloomberg, I-Sec research

Note *: Based on Bloomberg consensus estimates

Exhibit 27: Shareholding pattern

%	Dec'22	Mar'23	Jun'23
Promoters	49.8	49.8	49.8
Institutional investors	34.7	35.2	35.5
MFs and other	9.2	10.1	9.9
FIs and Banks	3.1	3.2	3.3
Insurance Cos.	1.6	2.1	2.4
FII	20.8	19.8	19.9
Others	15.5	15	14.7

Source: Bloomberg, I-Sec research

Exhibit 28: Price chart



Source: Bloomberg, I-Sec research

Financial summary

Exhibit 29: Profit & Loss

(INR mn, year ending March)

	FY20A	FY21A	FY22A	FY23A
Net Sales	7,194	6,500	9,738	11,736
Operating Expenses	5,224	4,872	6,689	7,772
EBITDA	1,970	1,628	3,049	3,964
EBITDA Margin (%)	27.4	25.0	31.3	33.8
Depreciation & Amortization	694	733	833	903
EBIT	1,276	895	2,216	3,061
Interest expenditure	446	441	532	552
Other Non-operating Income	103	103	189	309
Recurring PBT	934	557	1,873	2,818
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	380	161	487	694
PAT	553	396	1,387	2,124
Less: Minority Interest	(4)	(5)	4	15
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	557	400	1,383	2,108
Net Income (Adjusted)	557	400	1,383	2,108

Source Company data, I-Sec research

Exhibit 30: Balance sheet

(INR mn, year ending March)

	FY20A	FY21A	FY22A	FY23A
Total Current Assets	1,927	1,869	2,681	4,255
of which cash & cash eqv.	972	947	1,852	455
Total Current Liabilities & Provisions	1,073	1,089	1,028	1,340
Net Current Assets	855	780	1,653	2,915
Investments	99	183	221	581
Net Fixed Assets	3,446	3,989	4,187	4,836
ROU Assets	3,516	3,689	4,354	4,441
Capital Work-in-Progress	427	288	58	228
Total Intangible Assets	53	45	44	34
Other assets	720	723	792	2,691
Deferred Tax assets	3	28	114	260
Total Assets	9,120	9,724	11,929	16,423
Liabilities				
Borrowings	577	480	417	-
Deferred Tax Liability	53	-	-	-
provisions	71	55	57	71
other Liabilities	-	-	-	-
Equity Share Capital	549	549	1,050	1,015
Reserves & Surplus	3,505	3,915	4,978	9,584
Total Net Worth	4,054	4,464	6,028	10,599
Minority Interest	39	20	35	50
Total Liabilities	9,120	9,724	11,929	16,423

Source Company data, I-Sec research

Exhibit 31: Cashflow statement

(INR mn, year ending March)

	FY20A	FY21A	FY22A	FY23A
Operating Cashflow	1,704	1,427	2,237	3,272
Working Capital Changes	(87)	(20)	113	(69)
Capital Commitments	744	759	622	1,411
Free Cashflow	960	668	1,616	1,861
Other investing cashflow	427	70	1,132	3,241
Cashflow from Investing Activities	(1,170)	(829)	(1,753)	(4,652)
Issue of Share Capital	-	-	263	2,661
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(344)	(540)	(577)	(992)
Dividend paid	-	-	(92)	(203)
Others	17	(84)	828	(1,483)
Cash flow from Financing Activities	(327)	(624)	422	(17)
Chg. in Cash & Bank balance	207	(26)	905	(1,397)
Closing cash & balance	972	947	1,852	455

Source Company data, I-Sec research

Exhibit 32: Key ratios

(Year ending March)

	FY20A	FY21A	FY22A	FY23A
Per Share Data (INR)				
Reported EPS	5.5	3.9	13.6	20.8
Adjusted EPS (Diluted)	5.5	3.9	13.6	20.8
Cash EPS	12.3	11.2	21.1	29.7
Dividend per share (DPS)	-	-	0.9	2.0
Book Value per share (BV)	73.8	81.3	57.4	104.4
Dividend Payout (%)	-	-	6.5	9.6
Growth (%)				
Net Sales	32.5	(9.6)	49.8	20.5
EBITDA	32.7	(17.4)	87.2	30.0
EPS (INR)	25.0	(28.2)	245.5	52.5
Valuation Ratios (x)				
P/E	191.4	266.6	77.2	50.6
P/CEPS	46.1	50.9	49.8	35.4
P/BV	14.2	12.9	18.3	10.1
EV / EBITDA	54.6	65.9	34.9	27.0
P / Sales	15.0	16.6	11.1	9.2
Operating Ratios				
Gross Profit Margins (%)	85.4	84.1	80.0	86.5
EBITDA Margins (%)	27.4	25.0	31.3	33.8
Effective Tax Rate (%)	40.7	29.0	26.0	24.6
Net Profit Margins (%)	7.7	6.2	14.2	18.0
Net Debt / Equity (x)	(0.1)	(0.1)	(0.3)	(0.1)
Net Debt / EBITDA (x)	(0.3)	(0.4)	(0.5)	(0.3)
Profitability Ratios				
RoCE (%)	9.0	7.6	16.4	17.8
RoE (%)	13.7	9.4	26.4	25.4
RoIC (%)	10.2	8.5	19.2	20.0
Fixed Asset Turnover (x)	2.1	1.7	2.4	2.6
Inventory Turnover Days	9	5	7	6
Receivables Days	25	23	18	20
Payables Days	34	29	29	29

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Abdulkader Puranwala, MBA; Rohan John, MBA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

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

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

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

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

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

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

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

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report.

Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

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

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

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

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

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

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

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

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
