

GROUND VIEW

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**Diagnosing
India:**

**Excellent
prognosis**

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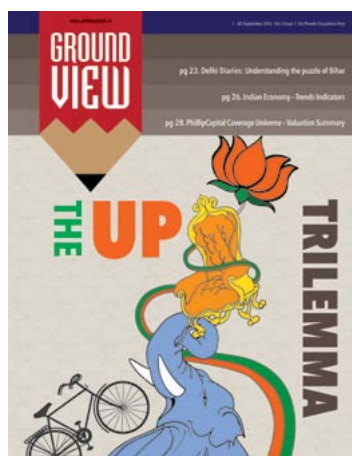
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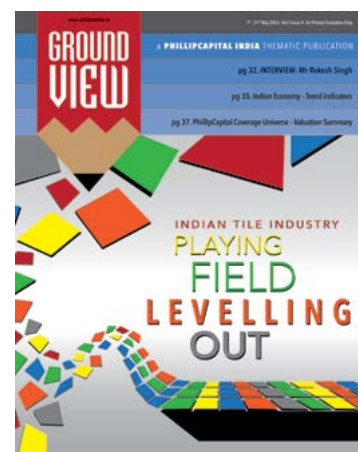
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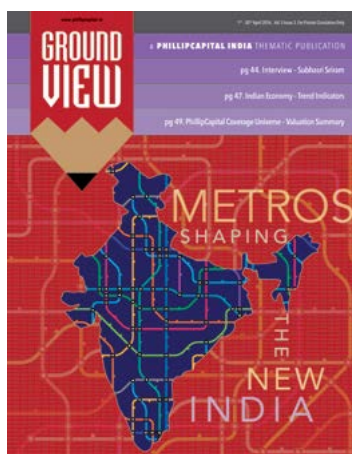
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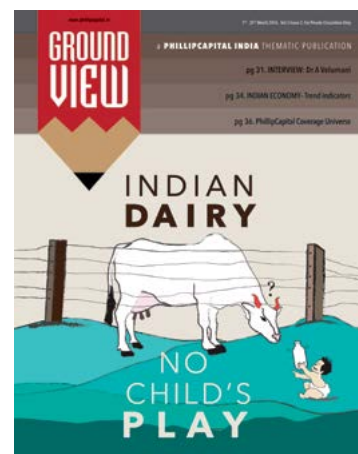
1st June 2016 Issue 5



1st May 2016 Issue 4



1st Apr 2016 Issue 3



1st Mar 2016 Issue 2

Letter from the MD

The changing face of Indian healthcare services – from a grossly underserved market to quality healthcare services (although still quite under-penetrated) at affordable rates – has already turned India into one of the leading destinations for ‘healthcare tourism’. This enhances the value-growth visibility for Indian diagnostics services, which is an integral part of healthcare services.

Meanwhile, a conducive macro environment in India for the rapid spread of diagnostics services suggests uninterrupted, healthy, and long-term profitable growth for the Indian diagnostic industry.

In this issue of Ground View titled “Diagnosing India – Excellent Prognosis”, authored by our Healthcare and speciality chemicals analyst Surya Narayan Patra, presents the ground realities of the Indian diagnostic market, and trains the spotlight on various aspects of this industry from the perspective of its participants and investors.

Additionally, this issue covers an interview with Mr Nitin Sood, group CFO, PVR, in which he discusses emerging trends in the Indian movie exhibition industry and growth opportunities arising from geographic expansion of organised segments into mid-towns.

Best wishes

Vineet Bhatnagar

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Diagnostics has emerged as the fastest growing segment in Indian healthcare



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Valuation Summary

BY SURYA PATRA & MEHUL SHETH

Diagnosing India: Excellent prognosis

Dr LalPathLabs' and Thyrocare's recent successful initial public offerings (with overwhelming response from investors resulting in 33x and 73x oversubscription respectively) has brought Indian diagnostics to the fore as the new healthcare investment destination. The big question is – can diagnostics fulfil investor appetite? The diagnostic industry has already emerged as the fastest-growing segment of the Indian healthcare industry led by under-penetration of diagnostics services with lower tests per patients, ageing population, changing disease profile to chronic lifestyle-related illnesses, and more importantly, the transition of the Indian industry towards becoming organised. Additionally, this business's strong capital efficiency (because of higher margins and healthy asset turnover) and its flexibility to expand geographically with minimal capital have captured investors' desires. However, the limitation of the Indian diagnostics industry as an investment avenue is its relatively smaller base. This issue attempts to make an accurate prognosis of the Indian diagnostics industry.

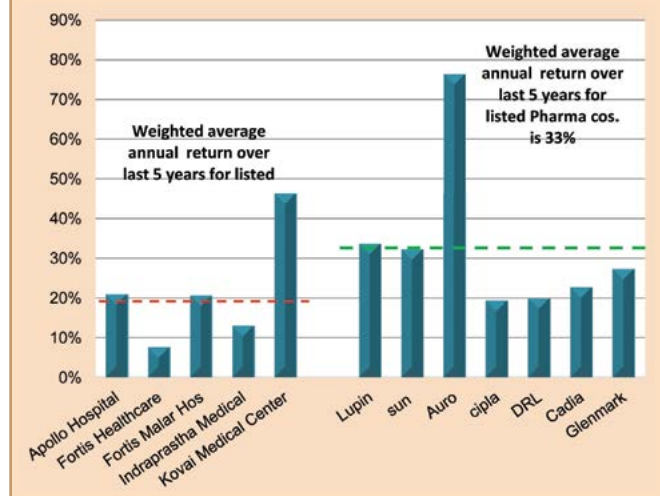
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Can diagnostics fulfil investment appetite in Indian healthcare?

Diagnosics plays a critical role in healthcare services – in identifying causes and symptoms of various diseases. It saves millions of lives each year by detecting diseases in early stages, helping the doctor offer appropriate and quick treatment. Thus, it curbs the overuse of inappropriate medicines and plays a critical role in the fight against drug-resistant bugs.

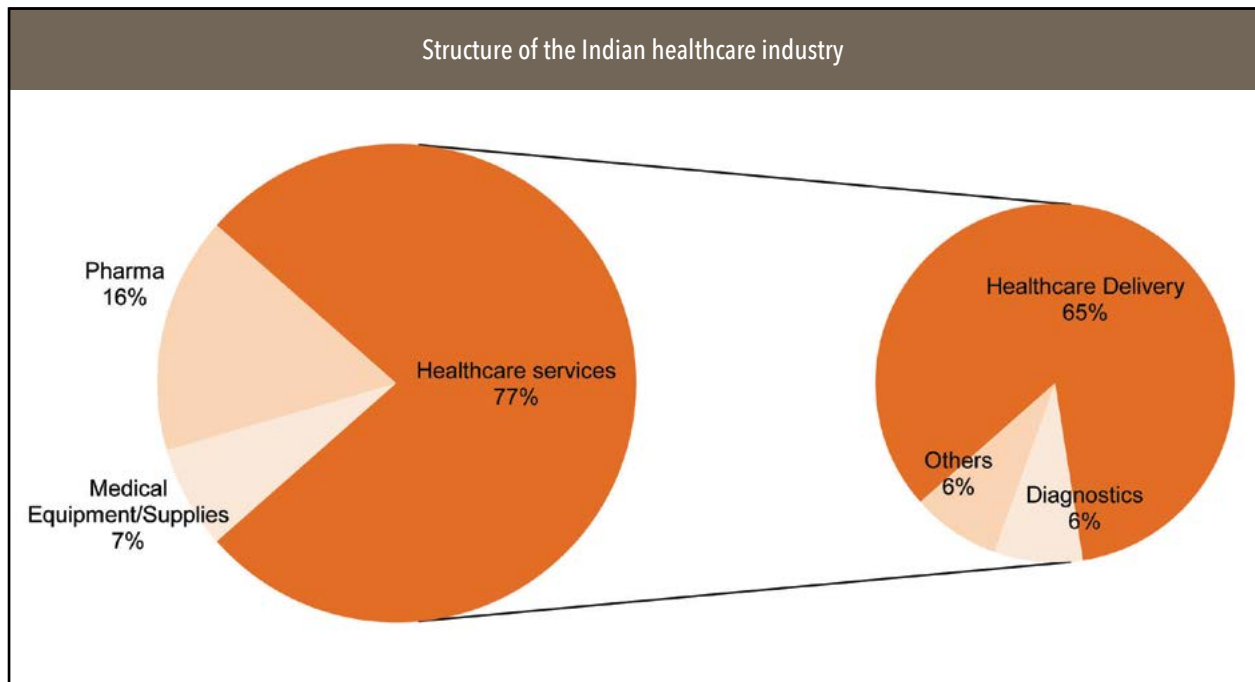
Although diagnostics have been an integral part of the healthcare services since a long time, and about 70% of all treatment decisions are based on diagnostics test results, the segment remained unavailable to secondary-market investors until recent IPOs of Dr Lal PathLabs and Thyrocare. The overwhelming response from investors, with 33x over subscription in Dr Lal and over 73x in

Compounded annual stock performance of Indian hospitals is much below pharma peers over the last five-years



Source: PhillipCapital India Research

Structure of the Indian healthcare industry



Source: DRHP Dr Lal Pathlab, Company, PhillipCapital India Research

Thyrocare, brought out diagnostics as the new healthcare investment destination.

The hospitals business in India has always been considered to hold immense potential given the huge unmet need in Indian healthcare, significant under penetration of healthcare services, and limited number of organised players. However, constrained by the capital-intensive nature of the business, both growth and share-price performance of Indian hospital companies (accounting for +60% of the Indian healthcare industry) have been much below Indian pharmaceuticals (32% of Indian healthcare) over the last five years. Can diagnostics (~6% of Indian healthcare) step in to fulfil investment appetite?

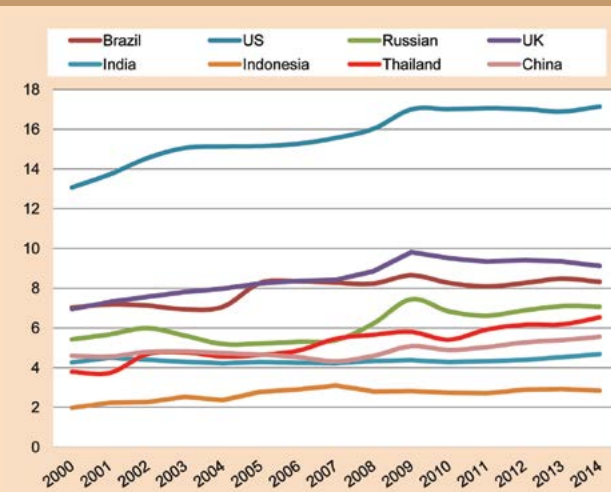
Key growth drivers for the Indian diagnostics market

- ✓ Under-penetration of diagnostics – comparatively lower tests per patients in India
- ✓ Ageing population
- ✓ Changing disease profile – to chronic, lifestyle, and genetic. These require higher and regular diagnostic tests
- ✓ Rising acceptance of personalised medicines
- ✓ Improving health consciousness, rising spending power, and better life expectancy have made preventive healthcare (wellness tests) a popular and fast-growing driver
- ✓ Longer-term driver: The emerging industry structure is heading towards providing healthcare services as an integrated comprehensive package rather than the traditional concept of providing healthcare infrastructure and reactive medical care

India's per capita total expenditure on healthcare is too low compared to advanced markets and even vs. comparable markets such as Brazil, Indonesia, Thailand, and Russia

Huge unmet healthcare need, significant under-penetration of healthcare services, lower consumer spending on healthcare

India's average healthcare expenditure from 2000 to 2014 is 4.4% of GDP.



Source: WHO database, PhilipCapital India Research

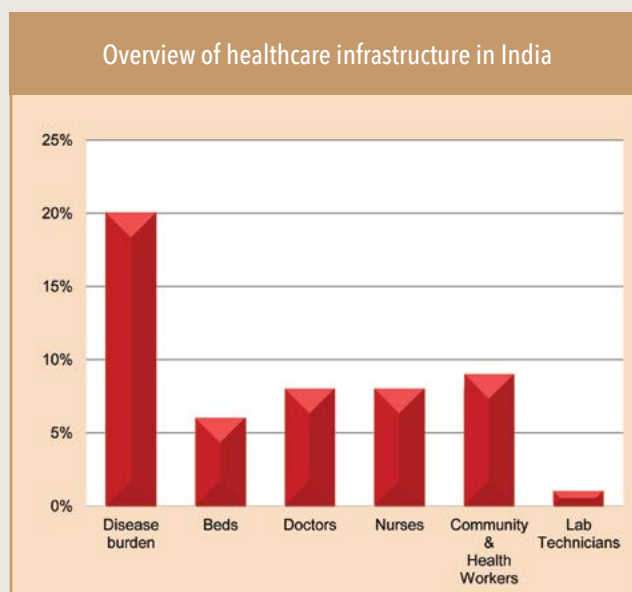
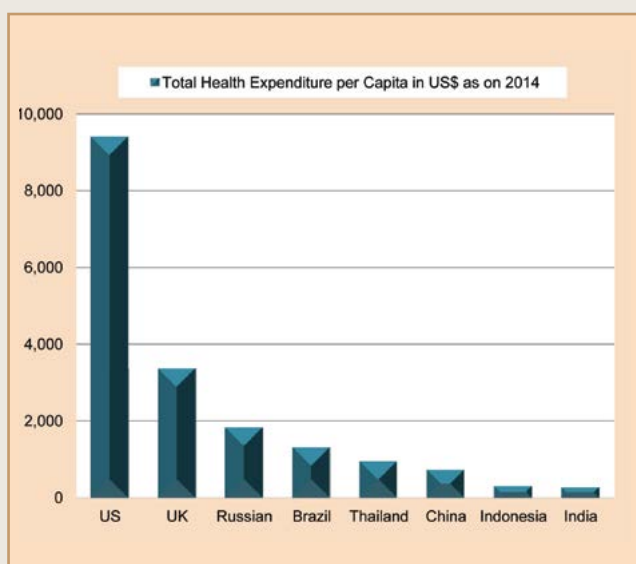
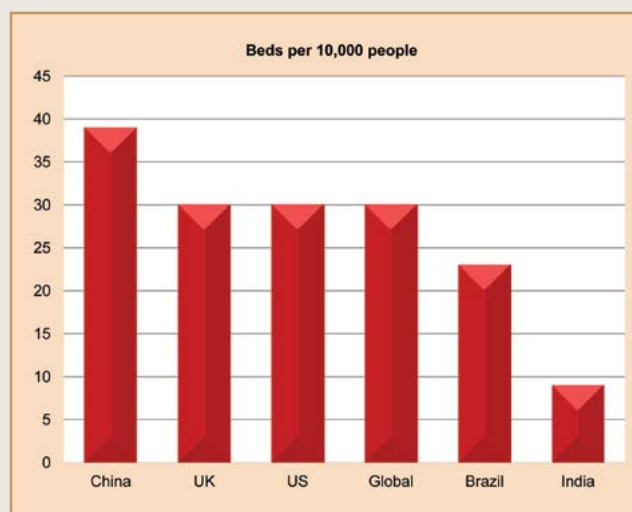
The share of the government's expenditure on healthcare in India has improved to 30% in 2014 from 22% in 2004. However, India ranks lower compared to other developing countries such as China, Brazil, Russia, Indonesia, and Malaysia

Government expenditure as a % of total health expenditure as on 2014



Source: WHO database, PhilipCapital India Research

India's share in the global disease burden is 20%, while its share of healthcare infrastructure is much lower with only 6% of global hospital beds and 8% share of doctors and nursing staff



India lags behind other developed and emerging economies in healthcare infrastructure

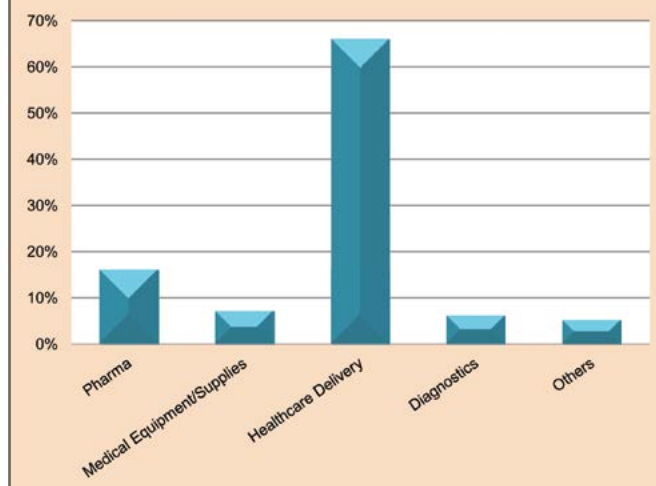
The gap remains substantial, with only nine beds per 10,000 people, significantly lower than the other countries and the global median of 30 beds per 10,000 people

Diagnostics: Small but fastest growing within Indian healthcare

The Indian healthcare industry (represented by healthcare services, pharmaceuticals, and medical equipment) is estimated at about US\$ 100bn as of FY15. Diagnostic services (a small part of healthcare services) contributes about US\$ 6bn – representing 6% of the overall Indian healthcare industry.

Like the Indian healthcare delivery industry (hospitals), the diagnostic market is highly fragmented and dominated by unorganised players, which hold about 85% market share. Just like in the hospitals segment, the organised diagnostic market is controlled by a few pan-India chains – SRL laboratories (SRL Labs), Dr Lal PathLabs (Dr Lal), Thyrocare Technologies (Thyrocare), and Metropolis Laboratories. In terms of growth, the diagnostic industry has outpaced the hospital market over the last five years with annualised compounded growth of 16% vs. 11% for hospitals. Within the diagnostic segment, the organised pan-India chains delivered compounded annual growth of over 20% vs. industry growth of 16%.

The share of diagnostics in overall healthcare in India is low



Factors that will drive future growth for the Indian diagnostic industry

The segment, constrained by under penetration and comparatively lower tests per patients so far, will see accelerated growth led by:

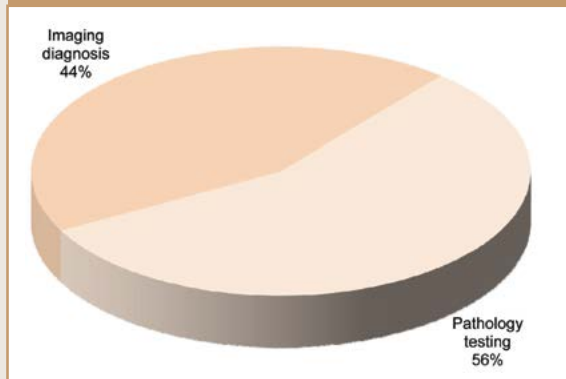
- ✓ Under penetration of diagnostic labs in India
- ✓ Increasing penetration of wellness and preventive tests
- ✓ Visible shift of diagnostic chains to organised players from unorganised ones
- ✓ Changing disease profile to lifestyle diseases requiring more high-end diagnostic tests

Although diagnostics plays a vital role in the spectrum of Indian healthcare delivery services (by identifying the root cause and ensuring that the patient gets appropriate treatment), its share in overall healthcare spends is lower

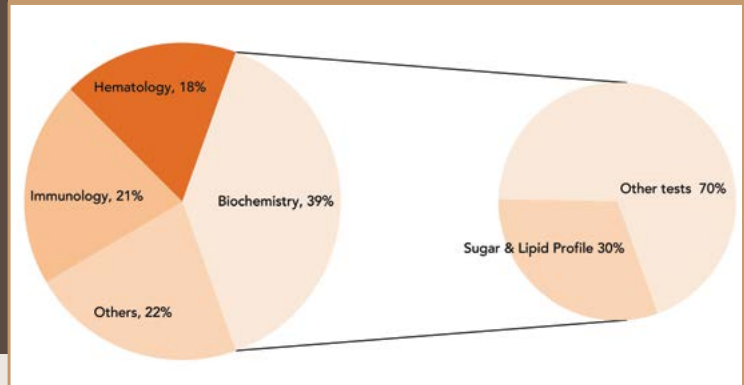
Diagnostics business mix

Revenue split between pathology and imaging

Revenue breakdown of the Indian diagnostics industry by pathology testing and imaging diagnosis in FY15



Pathology tests dominate the diagnostics market



Source: Industry report, PhillipCapital India Research

Based on the nature of diagnosis practices and facilities, diagnostic services can broadly be divided into pathology and radiology. While pathology tests involve laboratory analysis of bodily fluids such as blood and urine as well as tissues, radiology uses a variety of imaging techniques such as X-ray, ultrasound, computed tomography (CT), nuclear medicine including positron emission tomography (PET), and magnetic resonance imaging (MRI) to diagnose and/or treat diseases.

Since pathology is the first-line of diagnosis for many diseases and provides a wider coverage of tests, it dominates the Indian diagnostics market with about 56% revenue market share. On the other hand, radiology is still out of reach for a large mass of

the Indian population, as the cost of imaging diagnostic services is often more expensive than pathology testing.

Pathology tests are further categorised into biochemistry, immunology, haematology and molecular pathology. As per industry sources, biochemistry tests (covering blood sugar, lipid profile) hold a dominant share of ~39% within the pathology segment, followed by immunology (deals with an organism's immune response to a certain disease) and hematology (deals with diseases of blood cells, tissues, bone marrow, lymph nodes, thymus, and spleen). In biochemistry, blood sugar and lipid profile tests have a dominant share and these two types of tests contribute ~30% of overall revenues from biochemistry testing.



Dr. Vivek Jain,
Director of
P.H. Medicals Centre

says, "The share of biochemistry tests for smaller labs is as high as 70-80% followed

by hematology tests, which account for over 20% share. This is due to the capability/focus on these tests and their practice to outsource the high-end tests to bigger laboratories. In case of medium to large labs, the share of immunology is over 40%."

He believes that molecular tests in India are still in a nascent stage and largely catered to by select large diagnostic chains. However, he foresees relatively faster growth in molecular tests ahead.

Industry size: Debatable?



Various industry studies peg domestic diagnostics industry CAGR at 15-17% to potentially reach US\$ 9bn by FY18. However, Dr A Velumani, CMD of Thyrocare Technologies holds a very different opinion. He says, "The market size (of ~US\$ 6bn for the Indian diagnostics market) is grossly under-reported – this is because our country lacks any system of documentation for diagnostics or healthcare services, which is largely catered to by the unorganised sector. Similarly, reported growth of 15-17% seems low, considering that India's demographic is shifting towards a higher age from a predominantly younger one."

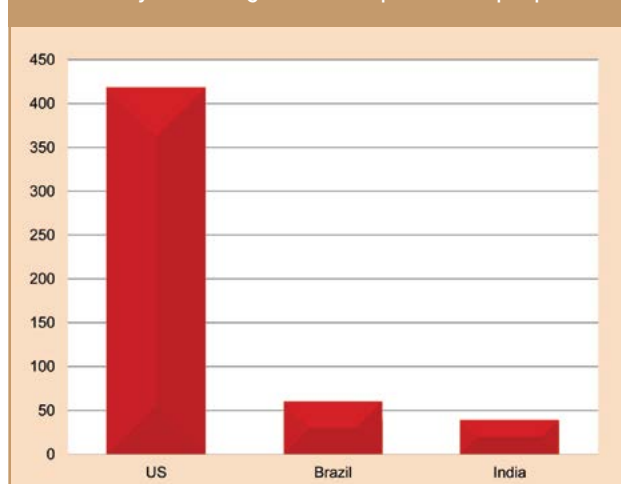
He believes the ground realities for the Indian diagnostics industry suggest accelerated growth. While the annual per capita spend in the US on diagnostics is around US\$ 100, it is about US\$ 6 in India, implying significant scope for growth, led by increasing income levels. India is still a young country with an average age of around 25 years; the need for diagnostics services grows with age. So, as India's average demographic begins ageing, its diagnostics market should see 20-25% growth over the next 20 years.

Prime Minister Shri Narendra Modi's government initiatives – which aim to provide all Indian citizens with free drugs, diagnostics, and insurance cover (to treat serious ailments under the National Health Assurance Mission) should provide adequate volume growth to Indian diagnostics. Improving healthcare services at affordable rates are turning India into one of the leading destinations for 'healthcare tourism' – this also enhances the value-growth visibility for Indian diagnostic services.

Under-penetration and under-utilisation of diagnostics labs in India makes growth outlook robust

Like unmet healthcare infrastructure in India, diagnostics infrastructure is considerably low compared to both advanced and emerging markets. India's 39 diagnostics labs per million people (compared to US' 418 labs and Brazil's 60), shows the level of under-penetration. Significantly lower number of tests per patients in India compared to other markets indicates tremendous scope for growth. In fact, the average no of test per patients in India is 2-3 against 11 tests performed per patient in the US and seven tests in comparable country like Brazil.

Country-wise: Diagnostics labs per million people



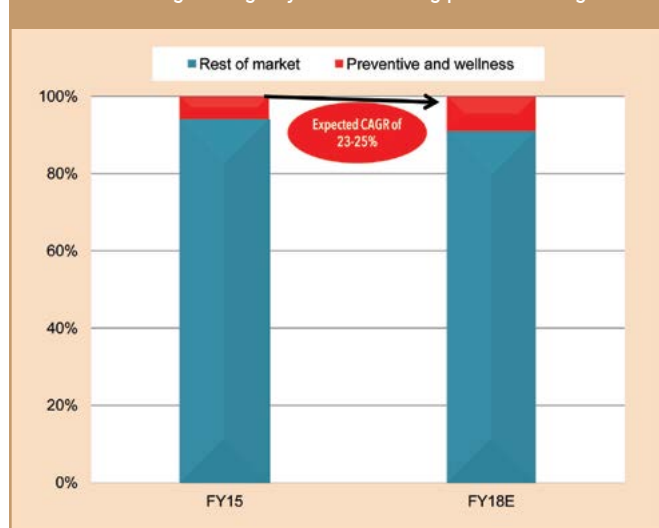
Source: Industry report, PhillipCapital India Research

Preventive diagnostics is likely to see robust 23-25% CAGR over the next few years

Rapid progression of wellness/preventive tests makes diagnostics the fastest-growing segment

Steady progress of the Indian economy and consequent rising income levels and urbanisation have played a vital role in creating awareness towards health and wellness. The strategic focus of organised diagnostics chains toward preventive and wellness test packages (to optimise costs through scale) created a revolution of sorts in the preventive diagnostics market, particularly in urban areas. As per the 2016 World Population Reference Bureau, India's urban population accounts for just 33% of its total, compared to 78% in the developed world and 54% in developing countries. Moreover, rising number of tie-ups with diagnostics chains from large companies (preventive checks for employees) and insurance companies ('medi-claim' plans), coupled with possible faster urbanisation, provide robust growth visibility for diagnostics.

Urbanisation to go a long way towards driving preventive diagnostics



Source: Industry report, PhillipCapital India Research

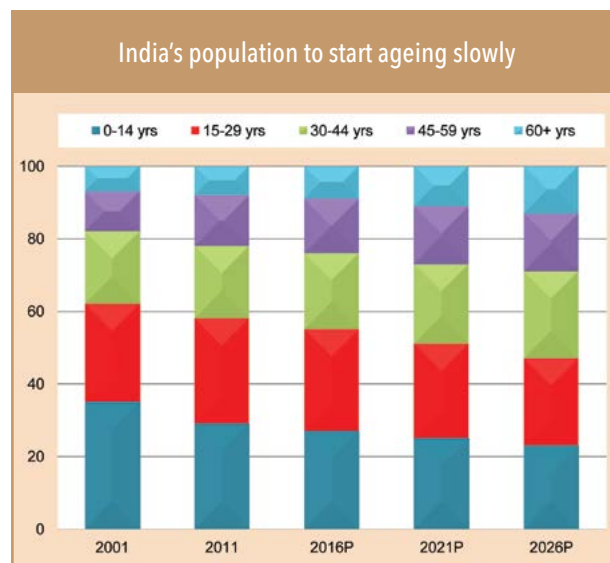
Shift towards organised diagnostics places diagnostics chains in a better position

Although diagnostics was initially an integral part of hospital services, the unorganised segment gradually captured a leading share of the domestic market, supported by weak regulatory environment and low entry barriers. In recent years, pan-India chains with national and international accreditations, have

The increasing practice of outsourcing of diagnostic services by hospitals will further boost the growth of organised diagnostic sector

gained momentum. Increasing awareness about healthcare and quality diagnosis, and changing treatment practice of doctors towards evidence-based prescription has supported the organised chain. Despite that, organised chains account for just 15% of the overall diagnostics market. The share of diagnostic chains is likely to see a 22% CAGR in the near future and gradually grab market share from the unorganised segment.

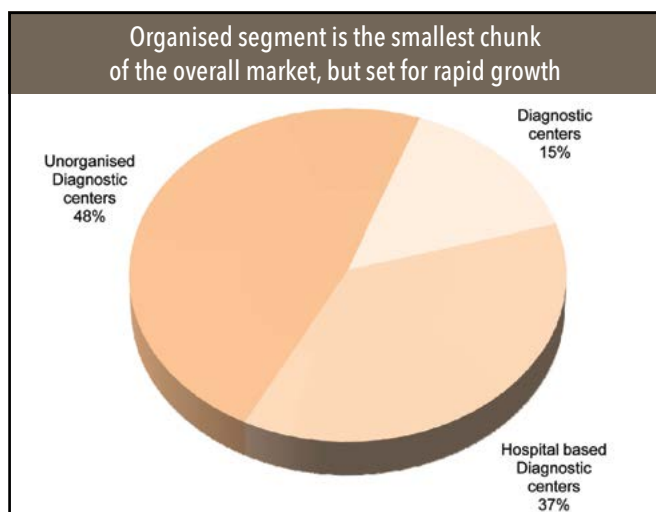
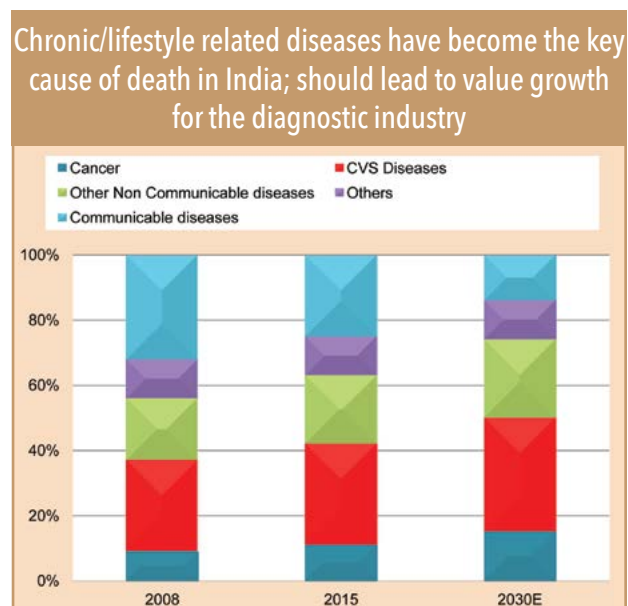
Additionally, the increasing practice of outsourcing of diagnostic services by hospitals will further boost the growth of the organised diagnostic sector. In fact, diagnostics had (so far) been considered an inherent part of the hospital business, but new management strategies look at this as 'non-core', hence believe it should be outsourced. Since diagnostics is a



for the 18-44 age group. This aging population should continue to provide incremental testing volume for several years to come.

Changing disease profile (to lifestyle diseases) will lead value growth

With improving per-capita income, lifestyle-related illnesses have been increasing rapidly in India over the last few years. To be specific, diseases such as cancer, cardiovascular diseases, and diabetes are seeing a steady rise and these are likely to increase both – the number of required high-end tests and tests per patient. Ultimately, this changing disease profile will lead to volume and value growth of Indian diagnostics.



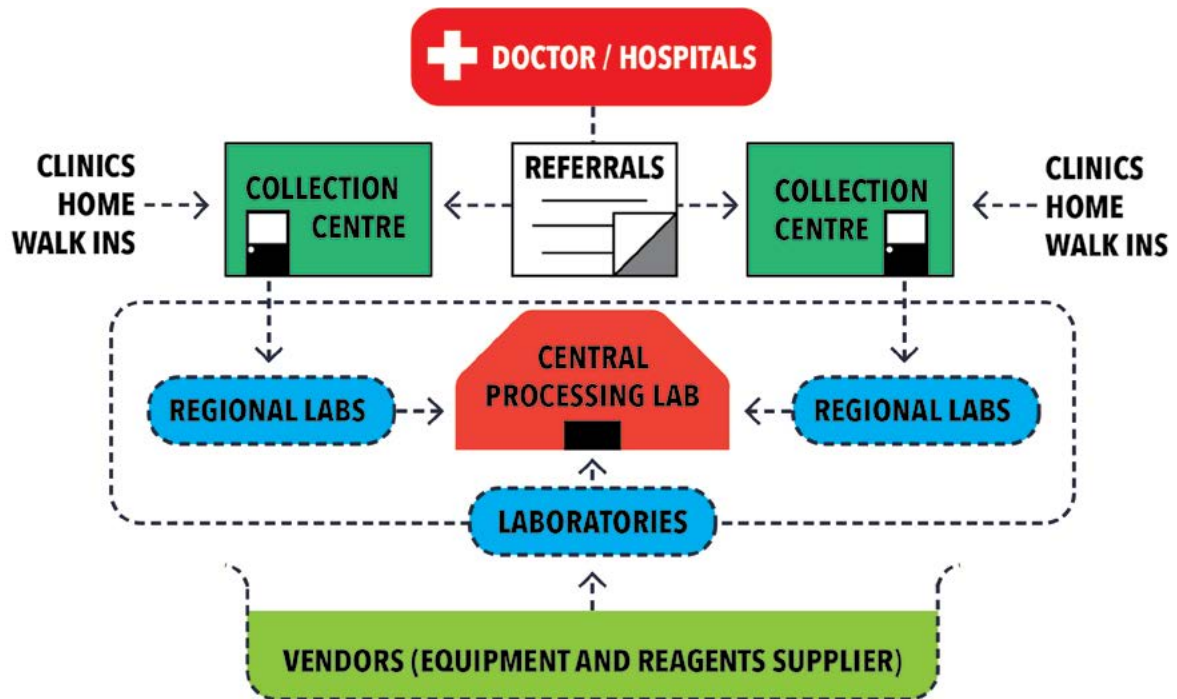
business of scale, in-house laboratories are a costly proposition for hospitals. Such changing practice by hospitals will boost the growth momentum of the Indian diagnostics industry further.

Aging population should ensure long-term volume growth

India is still a young country with an average age of around 25 years and the need for diagnostic services grows with age. As the demography ages (over the next couple of decades), the Indian diagnostics market will see accelerated volume growth. As per United Nations' world population statistics, Indian population >60 years is likely to grow by about +40% over the next ten years. As per industry sources, seniors aged 60+ require nearly 12 lab tests per year compared to about three

Business of scale; volumes play a dominant role

Structure of the Indian diagnostics industry



Improving awareness for healthcare, changing doctors' practice – towards prescribing based on evidence of diagnostic tests – coupled with improving technology in diagnosis led to the boom in private and standalone diagnostics laboratories. Gradually, supported by private-equity funding, organised pan-India diagnostics chains spread their network through the franchisee model. In the current situation, key participants in diagnostics are doctors and hospitals, laboratories, franchisee (collections centres), and vendors (re-agent suppliers).

Doctors (and hospitals) are the undisputed spearheads for diagnostics

Although 'self-referred' preventive or wellness tests have emerged as a new trend in diagnostics, doctors and hospitals are still the primary source of referrals for various healthcare tests. As doctors changed their treatment practice to 'evidence based' (from the traditional trial and error approach) in order to administer appropriate and

timely treatment and to curtail the abuse of drugs, the growth outlook of the diagnostics industry started becoming rosy. Doctors remain undisputed leaders of the diagnostic business because they are the ones who initiate leads for diagnostics labs by referring patients, often to specific labs. Other participants' bargaining power comes from volumes of tests or patients that they handle.

Laboratories are challenged by intense competition

After doctors, laboratories play an important role, but their bargaining power and profitability is greatly challenged because of intense competition – there is no regulatory entry barrier and the presence of unorganised players is widespread. Laboratories are collectively represented by pan-India chains and standalone labs. While pan-India chains are generally organized and accredited from domestic and international agencies (National Accreditation Board for Testing and Calibration Laboratories – NABL, The College of American Pathologists – CAP), standalone labs are largely

India has just about 1,200 accredited labs,i.e.,onlyabout1%ofover100,000 diagnostic labs that function in India

unorganised and operate purely based on their local connections. As per sources at NABL, India has just about 1,200 accredited labs, i.e., only about 1% of over 100,000 diagnostic labs that function in India.

Diagnostic chains mainly operate under a hub-and-spoke model

Typically, there is a central processing lab, satellite labs (regional labs), and collection centres. Central labs are normally equipped to conduct both routine and specialised pathology and at times radiology tests. Satellite labs offer a limited range of services and mainly act as feeders for central labs. Satellite labs are mostly owned by the diagnostics chains. In order to enhance the volume of tests for the central lab and its earning efficiency, diagnostics chains widen their sample collection network by using modern logistics and information technology systems.

In fact, satellite labs have the potential to leverage capital expenditure in a better way by effective extension of their network into wider areas using limited capital. Additionally, such labs play an important role for grabbing time-sensitive tests in regional areas.

Collection centres can serve multiple labs simultaneously

Collection centres are are mainly involved in the collection and forwarding of patient samples to

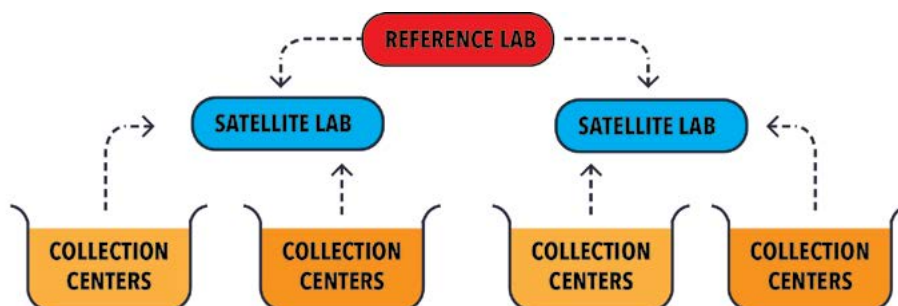
satellite or central labs. They collect samples from walk-in patients, hospitals, nursing homes, pathology labs, doctors' clinics, etc. These centres are company-owned or franchised. Some centres are equipped with basic equipment to conduct routine tests and maintain minimal staff – such as a receptionist, a lab technician, attendants, and people for delivery.

If collection centres are not owned by chains, they generally operate on a fixed sample-collection charge. A franchisee usually pays a franchise fee of around Rs 50,000 to get a license to operate a collection centre for a diagnostic chain.

Although collection centres and franchisees operate as per their underlying contracts with diagnostic chains, they are not always bound by terms to forward samples to specific laboratories or chains. Based on many factors (specification of a doctor, demand of a patient, capabilities of associate laboratories, or the margin they earn on the test), they could forward samples to labs other than their 'associate' labs.

Vendors (equipment and reagent suppliers) are normally at the receiving end

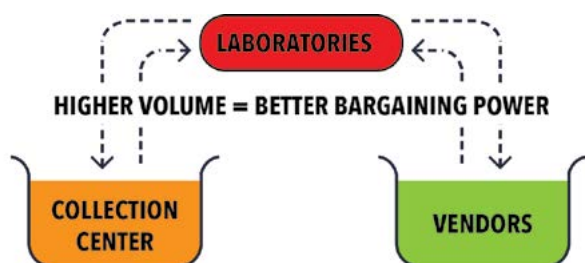
Vendors supply diagnostic equipment or analysers as well as chemical reagents to laboratories – these are the key to any diagnostic test. The diagnostic devices and reagents market is largely dominated by leading multinational companies such as Siemens, Abbott Diagnostics, and Roche Diagnostics. There are few Indians companies who compete with these MNCs including Transasia Bio-Medicals and Agappe Diagnostics. Apart from these, there are over 50 diagnostics companies, who focus on either importing from various international markets (including China) and distributing in India, or on manufacturing and supplying rapid diagnostic test kits.



While the MNC biggies are suppliers of devices as well as reagents to all leading diagnostics chains and a few large standalone laboratories in India, local manufactures or distributors of imported devices/reagents depend on unorganised diagnostic players

While the MNC biggies are suppliers of devices as well as reagents to all leading diagnostics chains and a few large standalone laboratories in India, local manufactures or distributors of imported devices/reagents depend on unorganised diagnostic players.

Normally, diagnostic machines or analysers come with specific reagents. While the analysers are a one-time capital cost, reagents are key variable costs for diagnostics laboratories. Hence, vendors are more lenient in terms of prices while selling machines, but try to make money from regular reagent supplies. Wherever vendors see scope for high volume of reagent sales at a lab (based on high tests volume), they tend to supply machines on a marginal rent, and take a certain volume commitment for reagents from these labs. Such an arrangement is a commonly followed practice among laboratories and vendors and is called 'reagent rentals'.



Business of scale – volumes play a key role in lab-franchisee payment terms

Doctors reign supreme in diagnostics since (more often than not) they generate leads for laboratories through referrals, often to specific laboratories. The bargaining power of other participants of the diagnostic business (laboratories, franchisees, and vendors) depends on the volume of tests/patients they handle. While the diagnostic chains are trying their best to expand their networks of collection centres through franchisees and leveraging modern logistics of flights and technology,

franchisees enhance their patient base through strong local connect with doctors, hospitals, and clinics. The main reason for generating volume is that it ultimately provides the required bargaining power. Volume decides the terms of payment between laboratories and franchisee; therefore, different labs-franchisees have different terms. However, in few cases, brand positioning of the laboratories overpowers the volume generated by the franchisee.

In the case of commercial supply arrangements between the vendor and laboratories, ONLY volume plays a pivotal role. While large diagnostic chains get a better bargain on reagents and analyser machines largely on 'reagent rental' basis, standalone/smaller laboratory chains try to negotiate hard on machines and do not receive great deals for reagents.

Ms Ameera Shah, MD, Metropolis says, "Volume plays an important role in the profitability of a centre, but in our experience, quality directly contributes to volumes. Metropolis enjoys a good reputation for specialised and super-specialised tests and doctors and patients choose us for the quality and the accuracy we deliver. Vendors operate in a competitive market and laboratories enjoy bargaining power as vendors cater to only about 10% of the market."

Volume decides the terms of payment between laboratories and franchisee; therefore, different labs-franchisees have different terms

Esoteric tests are low-volume, but command better margin

Even as there is limited awareness about overall healthcare or diagnostic tests in India, claims by various laboratories or diagnostic chains about the number and type of tests they offer is mind-boggling – sounds like a marketing gimmick. Among large organised chains, Dr Lal PathLabs offer the highest number of tests at about 4,600, followed by Metropolis, which offers 4,500, and SRL at 3,800; Thyrocare brings up the rear at a much lesser 135. While the huge number of tests offered can make things confusing, diagnostics tests can broadly be categorised under: Biochemistry, Hematology, Immunology, Microbiology, Molecular, Radiology

Routine, regular, and voluminous tests

Supported by high volumes, the basic costs (reagents, analyser) to laboratories are comparatively low; accordingly, their pricing is low. Generally, these tests are offered by all small and unorganised players, which results in intense competition and ultimately lower prices. These include:

- Biochemistry: Including liver and functioning, sugar levels, and cardiac tests
- Hematology: Including hemoglobin, platelet, blood count, blood coagulation
- Microbiology: Normally, tests of urine, stool, sputum, and pleural fluids.
- Immunology: Related to hormones, cancer markers, vitamin deficiency, etc.

High-end tests enjoy limited competition and better pricing

Particulars	Average price (Rs)	Nature	Volume	Competition
Biochemistry tests	200-250	Routine	High	High
Hematology tests	150-200	Routine	High	High
Immunology tests	900-1000	Moderate	Moderate	Moderate
Microbiology tests	500-600	Routine	Moderate	High
Molecular tests	5,000-50,000	High-end	Low	Low
Radiology	5,000-30,000	High-end	Moderate	Low

Esoteric tests are low in volumes, but high in value

Molecular tests (mainly tests related to DNA for genetic or heredity diseases) and radiology tests (particularly CT scan, MRI, and PET-CT) are high-end tests and command higher price. These tests do not fall under the concept of preventive healthcare. Their complexity is directly related to high-cost reagents and more advanced equipment. Volumes for such tests are normally an area of concern for laboratories, as these are very selective and done only on the referral of limited number of specialist doctors. Hence, laboratories offering such esoteric test build capabilities in their central labs and are required to build a rapport with specialist doctors (whose referral fees are also relatively high). However, these 'higher-end' tests often enjoy better revenue realisation per patient and superior margins.

Affordability of these esoteric molecular diagnostics tests is a subject in its own right. In India, only a small percentage of the population can afford expensive diagnostics tests. Organised

Dr Lal PathLabs offer the highest number of tests at about 4,600, followed by Metropolis, which offers 4,500, and SRL at 3,800; Thyrocare brings up the rear at a much lesser 135

Thyrocare, a well-known disrupter of prices in thyroid tests in India, has already shown its initial move of price disruption in PET-CT tests by offering these at ₹9,999 per test against competitors' average pricing of around ₹25,000

players have taken this up as a challenge and come up with cheaper assays and associated instruments that will pave the way for offering complex genomic tests at affordable prices. In fact, diagnostic chains such as Metropolis, Dr Lal PathLabs, and SRL (apart from government-sponsored centre for DNA fingerprinting and diagnostics) offer molecular tests, and have well-trained manpower for providing counselling on genetic tests.

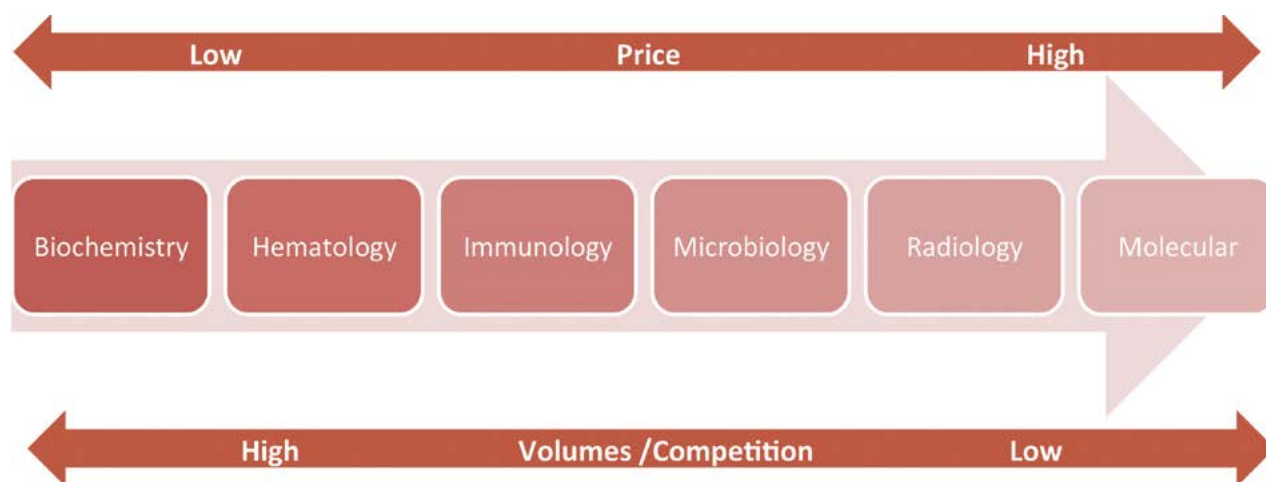
Radiology tests are becoming more affordable and advanced at diagnostic centres

Radiology is a technique to let doctors see what's going on inside a human body. Normally, these tests (including CT scan, MRI, and PET-CT scan) are generally known as 'esoteric' tests and are used for detection of cancer in its early stages, locating tumours, and sometimes even help to predict whether a tumour is cancerous or not. Conducting these tests requires specialist doctors and expensive imported equipment. The PET-CT radiology centres need to adhere to the Bhabha Atomic Research Center's guidelines, as these tests require radioactive isotopes. Up until recently, only hospitals used to conduct these tests and they were very expensive due to low patient volumes. However, of late, diagnostic

chains and large standalone labs have captured this as a pre-hospitalisation opportunity and have established fully equipped labs to conduct all radiology tests. This is likely to lead to optimal utilisation of expensive machines and to lower the test rates.

There are other basic radiology tests, including X-ray, ultrasound/sonography, colour doppler, and mammography, which are relatively low-priced and are offered by many labs – both organized and unorganized.

On the pricing of diagnostic tests, Dr Vivek Jain – Director, P.H.Medicals Centre says, "Volume of tests and competition certainly plays an important role in the pricing of pathology tests, but at times, the brand positioning of a laboratory in the region that it has a stronghold on, could allow it to take a price hike. On the contrary, the pricing of high-end radiology tests (primarily – CT scan, MRI and PET-CT) is completely inelastic to volume. Despite steady volume growth in patients for CT scan and MRI tests at P.H.Medicals, our test prices have remained static over the last five years. Within radiology, PET-CT enjoys least competition due to strict regulation and compliance requirements, yet price hike there is impossible."



Molecular and radiology tests face limited competition, hence better pricing

Types of tests

Diagnosis tests are broadly two types: Pathology and radiology.

Pathology

These tests can be classified into categories based on methods used and types of diseases targeted for investigation. Its three broad categories are - clinical, anatomical, and molecular pathology.

- **Clinical** pathology tests are aimed at diagnosing diseases through the study of chemical and biochemical mechanisms of the human body, such as detecting changes in electrolytes and enzymes in the blood and body fluids samples – to check for various diseases. Common clinical pathology tests include blood sugar, lipid, pregnancy, cholesterol, and blood cell count.
- **Anatomical** tests are aimed at diagnosing diseases such as cancer through the microscopic study of organs and tissue samples. These tissue samples may consist of tissue obtained from any part of the human body through biopsy, specimens

of separated cells in fluids, or tissue smears.

- **Molecular** tests analyse DNA and RNA to detect heritable or acquired disease-related genotypes, mutations, phenotypes, or karyotypes. Molecular tests assist doctors in determining the severity of a disease, identifying carriers, and conducting clinical diagnoses or prognoses.

Radiology

This is a specialty that uses medical imaging to diagnose and treat diseases. A variety of imaging techniques such as X-ray radiography, ultrasound, computed tomography (CT), nuclear medicine including positron emission tomography (PET), and magnetic resonance imaging (MRI) are used to diagnose and/or treat diseases. Interventional radiology is the performance of medical procedures (usually minimally invasive) with the guidance of imaging technologies.

Diseases and tests

Particulars	Type of diseases	Type of test
Biochemistry	Mainly chronic	Cholesterol, HDL, LDL, triglycerides, SGOT, SGPT, bilirubin, alkaline phosphatase, creatinine, uric acid, protein
Hematology	Diseases affecting the blood of patients	Hemoglobin, PCV, TLC, platelet count, automated DLC, HbA1c, CBC
Immunology	Diseases caused by an abnormal immune response, such as autoimmune diseases, immunodeficiency diseases and allergies	IgA antibodies test serum, IgA antibodies test cardiolipin, AFP (Alpha Fetoprotein), tumor marker, IgG, IgM, T3/T4/ TSH, vitamin D3, serum B12
Microbiology	Diseases caused by bacteria, viruses or fungi	Aerobic /AnAerobic bacteria, brucella, bordetella pertussis, bronchoalveolar, gram stain, streptococcus group A/B, helicobacter pylori, urine, stool
Molecular	Mainly genetic or heredity diseases	Chromosome analysis, chromosome analysis, chromosome profiling, chromosome arrays, C Kit mutation detection, clostridium difficile, 14q32.3 by FISH, FISH -17p, FISH - MDS panel, FISH - leukemia multiple myeloma panel etc
Radiology	Diagnose and treat diseases within body	X-ray radiography, ultrasound, computed tomography (CT), nuclear medicine including positron emission tomography (PET), and magnetic resonance imaging (MRI)

Devices used in diagnostics

Automated machines used for PATHOLOGY tests by organised players



Automated analyzers used for pathology tests



Analyzer used for allergy and autoimmunity tests



Immunoassay analyzer



Used for blood culture for detection of microorganisms



Equipment used for molecular tests



Fully automated clinical chemistry system

Semi-automated or manual machines used for pathology tests by small- and medium-scale



Analyzer for different biochemistry tests



Analyzer for different hematology tests



Microscope used in microbiology and other tests

Devices used in RADIOLOGY testing



Set-up used in MRI scans



Equipment used for sonography



Mammography for X-ray equipment



Set-up used in CT scans



Set-up used in PET- CT scans

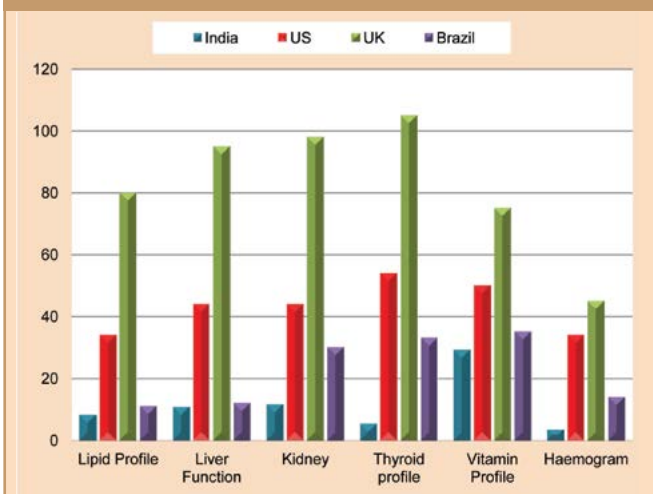
Indifferent pricing structure by both organised and unorganised players, despite intense competition

With over 85% of its population falling under the low-income class, India remains a very cost- and price-sensitive market in every business, including healthcare and diagnostics. Within diagnostics, reagents and kits are key cost components for every laboratory. The prices of tests in India are a function of economies of scale – in terms of the ability to spread overhead costs related to reagents, kits, reference labs, administrative, and marketing. Thus, led by (1) huge mass of patients,

(2) large underserved healthcare market and (3) huge scope of growth, pricing of diagnostic tests in India has always remained 1/4th of advanced market rates, and at a 50% discount to comparable markets such as Brazil.

Pricing of tests offered by diagnostic players plays an important role in gaining volumes for the company. Diagnostics industry follows three-tier pricing of tests including: (1) price per individual test, (2) price per profile of tests, and (3) price for packages. Since the reagent cost (~30% of overall sales) is a major variable cost component for any diagnostic test, pricing of various tests depends

India diagnostic test prices are way below the global trend (USD)



on the reagents cost and the nature of the equipment-supply arrangement the labs hold with the vendors.

Test profiles provides additional cost savings compared to individual tests

In order to generate greater volume and improve the number of test per patients, diagnostic labs strategically

Intense competition in the industry will keep prices of tests or profile or package offered by the company under check

price the profiles (all test related to a specific disease) of tests and various packages (comprising tests related to multiple diseases or organs) at discounts to individual test prices. This is a win-win situation for both - companies and patients. Through this, laboratories are able to utilise machines/reagents optimally, while the patients get lower prices.

The table below shows the savings that profiles provide over individual tests. Patients can save 25-30% in a basic profile, which falls under the regular category of biochemistry and hematology. In the high-end tests (selective, referral-based), cost savings (profiles vs. individuals) is much higher at 40-50%. A diagnostics service provider can afford greater discounts on high-end profiles and panels as these have comparatively low volumes and almost nil walk-in patients.

Test panels results in savings

Biochemistry	Dr Lal Pathlab	Metropolis	Thyrocare	Standalone Labs
Lipid Profile				
Cholesterol	170	250	80	
HDL	200	250	80	
LDL	270	300	135	
Triglycerides	200	250	80	
Individual Test Total	840	1050	375	
Lipid Profile	750	675	210	500-800
Discount in Profile	11%	36%	44%	
Liver Function				
SGOT	170	200	105	
SGPT	170	200	105	
Bilirubin	220	260	210	
Protein	200	275	105	
Alkaline Phosphatase	190	200	105	

Individual Test Total	950	1135	630	
Liver Function	800	1000	330	500-900
Discount in Profile	16%	12%	48%	
Kidney				
Creatinine	170	200	130	
Uric Acid	140	200	120	
Protein	200	275	130	
Albumin	170	200	150	
Calcium	140	200	120	
Individual Test Total	820	1075	650	
Kidney	800	850	630	1000-1100
Discount in Profile	2%	21%	3%	
Haemogram				
Hemoglobin	100	140	60	
PCV	120	160	80	
TLC	120	160	80	
Platelet Count	50	200	50	
Automated DLC	120	180	90	
Individual Test Total	510	840	360	
Haemogram	220	250	210	250-350
Discount in Profile	57%	70%	42%	
Immunology - TORCH Panel				
IgA antibodies Test Serum	330	650	600	
IgA antibodies Test Cardiolipin	550	1300	520	
Rubella IgG	460	600	265	
Rubella IgM	460	600	265	
Cytomegalovirus IgM	460	600	265	
Cytomegalovirus IgG	460	600	265	
Herpes Simplex 1+2 IgG	500	600	265	
Herpes Simplex 1+2 IgM	500	600	265	
Individual Test Total	3720	5550	2710	
TORCH Panel	2250	2600	1730	2500-3500
Discount in Profile	40%	53%	36%	

With improving awareness about healthcare among the educated and because of increasing urbanisation, preventive and wellness packages have emerged as the fastest-growing segment in Indian diagnostics

Wellness packages offer better operating leverage

Mid- to large-sized diagnostic chains and hospital-based diagnostic centres are increasingly packaging and marketing their available test menu in the form of preventive and wellness test packages. With improving awareness about healthcare among the educated and because of increasing urbanisation, preventive and wellness packages have emerged as the fastest-growing segment in Indian diagnostics. Due to the multiple tests per patients under the packages, they optimize the reagent cost per patient and improve the realization per patient. As these tests offer better operating leverage, their pricing (packages) is at a steep discount to either individual tests or various profile tests.

While it is established that volume of tests handled by the labs are critical for pricing, surprisingly, there is no major difference in prices of organised players (who try to optimise costs through scale benefits, and tend to accordingly price low) and unorganised players (who largely offer comparable prices to large players by lowering their reagent cost by procuring from local vendors). At times, unorganized players charge more than larger chains, but retain their business mainly because of their strong hold in the area and particularly because of local doctors remaining loyal to them.

PACKAGES ARE AT A STEEP DISCOUNT TO EITHER INDIVIDUAL TESTS OR VARIOUS PROFILE TESTS

Package offered	Thyrocare	Metropolis	Dr Lal Pathlab	Small labs
BASIC PACKAGE	AAROGYAM A	BASIC PACKAGE	Complete Health Panel	
Lipid Profile	210	675	750	
Liver Function	330	1000	800	
Kidney	630	850	800	
Thyroid profile	200	500	700	
Haemogram	210	250	220	
Others	500	4050	200	
Individual Profile Total	2080	3475	2570	
PACKAGE price	1200	2300	1649	1800-2000
Discount in package	42%	34%	36%	

Advance Health Package	AAROGYAM B	HEALTH TOTAL	COMPLETE BODY PANEL	
Lipid Profile	210	675	750	
Liver Function	330	1000	800	
Kidney	630	850	800	
Thyroid profile	200	500	700	
Haemogram	210	250	220	
Vitamin Profile	1170	2550	2700	
Others	200	2000	300	
Individual Profile Total	2950	7825	6270	
PACKAGE price	1700	6900	4575	3000-3500
Discount in package	42%	12%	27%	

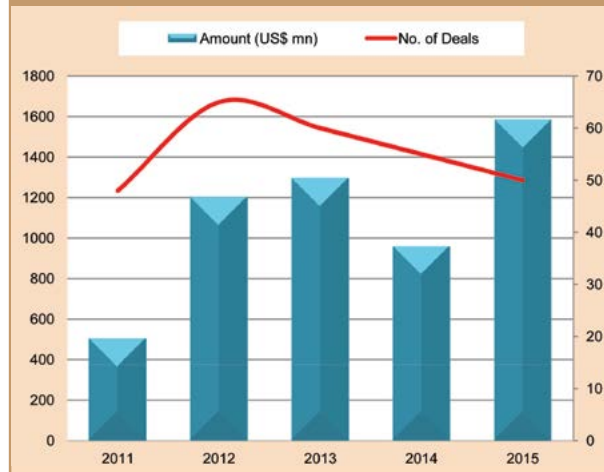
Diabetes Package	A1C DIABETIC	DIABETES RISK ASSESSMENT	Basic Diabetes Package	
Lipid Profile	330	1000	800	
Liver Function	630	850	800	
Kidney	200	500	700	
Thyroid profile	210	250	220	
Others	500	800	800	
Individual Profile Total	1870	3400	3320	
PACKAGE price	1500	2750	2499	2500-3000

PE investments in diagnostics – Just a valuation game, or will it lead to self-actualisation?

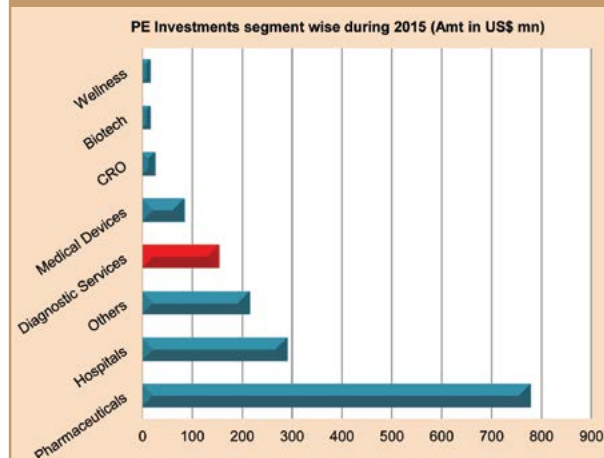
In spite of visibly higher demand for healthcare services (including diagnostics), India's healthcare sector falls well below international benchmarks (in terms of physical infrastructure and manpower), and is below the standards of even comparable developing countries. In order to meet the growing demand for healthcare services, which require huge investment, contributions from private sector (foreign and domestic) were envisaged by private equity (PE) investors. In fact, private equity (PE) investments have always been perceived as a magic wand for the transformation of any under-developed industry into an advanced one with modern infrastructure. While growth and profitability remain primary goals of the PE industry, its contribution to economic development is undeniable.

As per Venture Intelligence, PE investments into the 'healthcare and life sciences' sector in India touched a record high of US\$ 1.59bn in 2015 (across 50 deals), 22% higher than the previous high of US\$ 1.29bn (across 60 deals) recorded in 2013, and a whopping 66% higher than the US\$ 957mn (across 55 deals) in 2014. Over last five years, PE investment in India has seen 33% CAGR. India PE investments into diagnostics were ~10% of total investments in healthcare and life sciences. Given the highly fragmented nature of the Indian diagnostics market (organised players hold only 15% market share), PE funding could play an instrumental role in overall growth of the domestic industry.

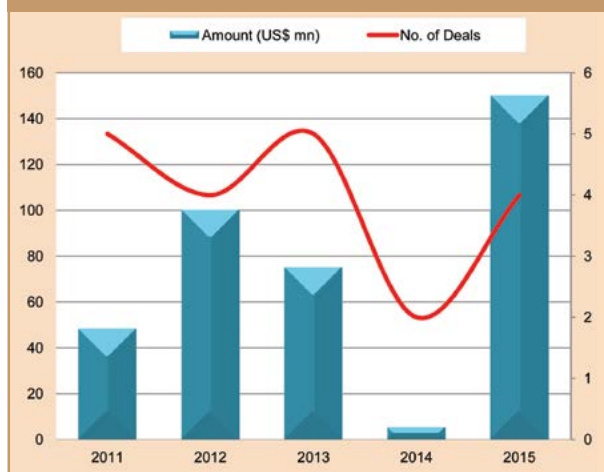
PE investments into the 'healthcare and life sciences' sector in India



Segment wise PE investments in 2015 (USD mn)



PE investments in diagnostics services in India



Over the last five years, PE investments in India have seen 33% CAGR; such investments into diagnostics were ~10% of total investments in healthcare and life sciences

Over last few years, organised players such as Metropolis, Dr Lal PathLabs, SRL, Thyrocare, Wellspring, and Vijay Diagnostics have received PE funding to the tune of Rs 28bn in multiple rounds. Supplemented by such funding, these chains really emerged from nowhere into prominence in just a few years, and their valuations multiplied. Few industry experts perceive this as a 'valuation game' – which has been the case in e-commerce up until now.



Ms Radhi Mehta, Vice-President, MDI Laboratories (one of the advanced diagnostic chains that have a collaboration with German Laboratories MDI) believes that the increasing price completion and simultaneous spike in equity valuations after rounds of PE funding is purely a valuation game.

However, a closer look at the details of PE funding into large diagnostic chains suggests that their valuation increased because of the expansion in their businesses after the funding. For example, Thyrocare's implied valuation increased 2.5x over FY11-14 after it received funding from CX Partners (valued at Rs 6.27bn) in December 2010 and from Aditya Birla PE in February 2014 (at a valuation of Rs 16bn). During the same period, Thyrocare's revenue and profit multiplied 2x. Similarly, Dr Lal's implied valuation increased 1.5x

PE investment in diagnostics

PE Investor	Dt of Inv	Inv (Rs Mn)	Stake %	Co Valuation (Rs Mn)	EV/EBITDA (x)
Thyrocare Tech					
CX Partners	Dec-10	630	28%	6,270	17.6
Samara Capital	Dec-10	38	2%	6,270	17.6
Norwest Venture Partners	Sep-12	1,200	10%	12,000	18.9
ICICI Bank	Oct-13	660	5%	13,200	19.2
Aditya Birla PE	Feb-14	1,250	8%	16,000	22.3
Dr Lal PathLabs					
Sequoia Capital (WestBridge)	Jun-05	420	26%	1,610	
TA Associates	Aug-10	1,630	16%	10,000	17.7
WestBridge	Feb-13	1,883	13%	15,000	10.8
TA Associates	Feb-13	484	3%	15,000	10.8
Metropolies					
ICICI Venture Fund	May-06	350	27%	1,296	
Warburg Pincus	Jun-10	3,920	27%	14,519	32.2
Promoter bought back (WP stake)	Apr-15	5,500	27%	20,370	15.7
Carlyle Group	Sep-15	9,000	37%	24,324	18.8
SRL Diagnostics					
Avigo Capital Partners	Apr-11	1,000	9%	10,787	
Sabre Partners	May-11	500	3%	16,167	
Jacob Ballas	Mar-12	2,500	NA	NA	
IFC	Mar-12	1,200	NA	NA	
Fortis Healthcare	Sep-15	1,050	3%	33,950	
Suburban Diagnostics					
Sequoia Capital	Nov-12	400	30%	1,333	
Wellspring					
Catamaran Ventures	Jun-11	146			
BlueShield Venture Partners	Jun-11		NA	NA	
Reliance Venture Asset	Jun-11				
Asian Healthcare Fund	Jun-13	100	NA	NA	
Catamaran Ventures	Sep-13	120			
BlueShield Venture Partners	Sep-13		NA	NA	
Vijaya Diagnostic					
Kedaara Capital Advisors	Sep-16	3,500	NA	NA	

An increase in the number of comparable diagnostic healthcare facilities may exert additional pricing pressure on some or all diagnostics service providers

between two tranches of PE funding (TA Associates in FY11 and FY13) while its revenue and profits saw 1.9x expansion in the same period.

PEs to supplement rapid progress of the organised market

PE funding has provided financial flexibility to organised diagnostics chains for expanding their franchisee network into tier-2 and tier-3 cities, strengthening of processing capabilities (particularly in automating sample processing), and for brand creation. These together strengthened their scale and earnings efficiency vs. the unorganised market.

While the steady flow of investments into the Indian diagnostics industry strengthened its capability (in terms of technological advancement and automation), it also intensified competition in the industry meaningfully. The level of competition among organised chains is visible from their initiatives towards brand creation and in their promotional offers.

Thyrocare, whose business strategy is attaining scale benefits through extended geographical reach, has used print and digital media (both TV, Radio, and 3000 theatre screens across India) for creating awareness about its brand across the country through its advertising slogan - "Think Thyroid, Think Thyrocare". Similarly, in order to boost its key focus area of "preventive healthcare" (which so far was largely targeted at the educated urban mass), Thyrocare appropriately uses online advertising. This is evident from the fact that if one searches for Thyrocare on Google, the results reflect its diagnostic package offerings first, its main website, and three of its nearest franchisees. This shows its branding focus. On the other hand, Metropolis and Dr Lal are relatively slow to advertise, and try to create brand equity among doctors through high-end test offerings (such as molecular tests).

The image displays three screenshots of Google search results for diagnostic healthcare facilities in India. The first screenshot shows results for 'Thyrocare', highlighting its 'Preventive Packages - 83 Tests @ 1800/- Only' and listing several franchise locations across India. The second screenshot shows results for 'Dr Lal PathLabs', emphasizing its 'Most Trusted Diagnostic Lab' status and listing franchise locations. The third screenshot shows results for 'Sri Diagnostics', featuring its 'Blood Sample Collection from Home' service and listing franchise locations. Each screenshot includes a map of India with red markers indicating the locations of the respective diagnostic centers.



A suburban diagnostics company tries to woo obese patients with higher discounts based on levels



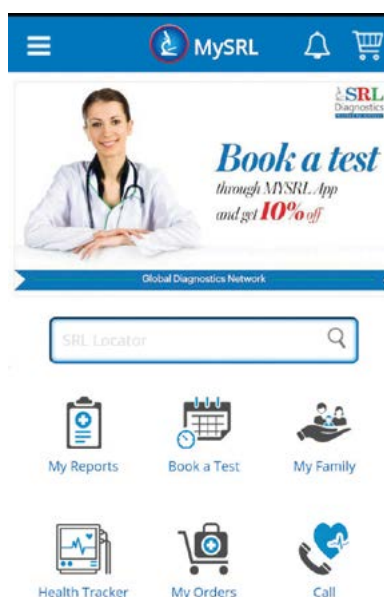
Unorganized players are not far behind in discount offerings



Thyrocare and Healthspring promote their wellness package through discounts



Thyrocare (Nueclear) initiates disruption of the PET/CT pricing by offering 60%+ discount (Rs 9,999/test); competition is all set to match this price



SRL, largely backed by its hospital chain, seems to not be aggressive in promoting through offers

Many diagnostic chains use promotional offers for brand creation. An increase in the number of comparable diagnostic healthcare facilities may exert additional pricing pressure on some or all diagnostics service providers. However, such developments are more likely to supplement the transition of the Indian diagnostics industry to a systemic organized play more from an unorganized play. Thus, PE funding helps the Indian diagnostics industry to achieve its self-actualisation with quality services in a more organised manner.

About brand creation led by promotional offers, Ms Radhi Mehta, Vice-President, MDI Laboratories says, "Rather than discounts and promotional offers, it is the accuracy and authenticity of test reports as well as the ability of the lab to resolve the queries of referring doctors on test reports in a timely manner that play a important roles in brand building. "



Ms Ameer Shah, Promoter and Managing Director, Metropolis Healthcare, shared her views on India's diagnostic industry – its trends and outlook.

Metropolis is a Mumbai-based multinational chain of pathology centres. It is one of the leading pathology labs in India, delivering over 30mn tests a year, catering to more than 20,000 medical laboratories, hospitals, nursing homes, and 200,000 consultants. With 34 years of experience in delivering accurate reports, Metropolis is a trusted Indian brand.

1. What are the ground realities for Indian diagnostics and how are they different from perception? Could you juxtapose this with 'known' facts such as size (~US\$ 6bn), annualised growth of 15-20%, and transition to a regulated play?

The diagnostics industry is going through a time of colossal advancement in terms of inventive abilities and credibility. Utilisation of cutting-edge and front-line technology in the analysis of infectious diseases has encouraged and reinforced evidence-based treatment by doctors. In addition, noteworthy advancements at the demographics level have prompted people to become more concerned about their health and promoted preventive healthcare drastically. In this manner, the industry has created demand for medical tests at an expansive level.

Due to these reasons, the Indian diagnostics industry has seen a CAGR of 18% while advanced markets are developing in single digits. Our belief is that the domestic market will continue this growth momentum led by its core macro factors – a large underserved patient pool and visible advancements in terms of technology and demographics.

2. Do you believe that diagnostics is truly a local-area concept and that better brand can be created by focusing more on a particular area rather than spreading ones presence through franchisees?

In the diagnostics industry, franchising serves a unique purpose. In addition to branding, it helps create a network of patient-friendly services – and that is what we are doing today. Franchising allows us to be more versatile and helps monitor our resources. It also enables us to have centres in remotest of areas, making it possible for individuals to receive comprehensive facilities – laboratory, imaging investigations,

and other diagnostic facilities – all under one roof. This provides access to quality healthcare to the general population in even the most remote areas.

Having said that, we also totally believe that diagnostics is a local-area concept. Metropolis has a strong presence in south and west India and dominates these territories. This has been possible because of our decades of presence, superior service, and trust that we have earned as a brand.

3. Contrary to expectations of organized diagnostics overtaking the widespread unorganised market, the unorganized and non-accredited market actually seems to be growing faster due to its stronghold on local areas. How do you see the industry shaping up in the medium term?

The industry is largely fragmented – with 88-90% dominated by unorganised players. There is considerable pricing difference for similar services. For example, an MRI can cost anywhere between Rs 1,000 and Rs 6,000, depending on the lab and its geography. However, for patients, it is a difficult choice because they are unable to assess the quality and the price. Only 1% of the total diagnostic laboratories in India are accredited to NABL and CAP – the smaller and medium ones operate more like mom-and-pop shops in the absence of any regulatory standards and norms. There is an urgent need for enactment and control to raise and maintain quality levels of labs in India. Accreditation bodies have given guidelines (international standards), but only a fraction of the industry adheres to these. Unaccredited players are upsetting quality standards. If more players from the unorganised segment become accredited, it will be a positive development for the industry – because it will raise quality standards.

Today, the customer is more aware (knows that an accurate report is the very basic requirement for proper diagnosis) – and

is choosing an accredited centre over a neighbourhood lab. Regulation and awareness amongst patients is the way forward, and there will be an absolute shift towards regulated centres in the next five years.

4. 'Volume' seems to be a key success factor in the diagnostics business and for its key participants such as laboratories, collection centres, and vendors (device and reagent suppliers). Who enjoys maximum bargaining power?

Volume plays an important role in the profitability of a centre, but in our experience, quality directly contributes to volumes. Metropolis enjoys a good reputation for specialised and super-specialised tests and doctors and patients choose us for the quality and the accuracy we deliver. Vendors operate in a competitive market and laboratories enjoy bargaining power as vendors cater to only about 10% of the market.

5. What is your experience of diagnostics business presence in international markets. How is it different from the Indian business?

The international industry is highly fragmented, aggressive, and competitive – with several independent labs, physician's office labs, and hospital-based labs. Demand is connected to the quantity of individuals accepting medicinal treatment. Profitability of individual companies depends on efficient operations and good marketing. There are expansive economies of scale in operations of medical labs, which can receive samples from wide geographical regions. Small medical labs can compete and contend viably by effectively providing specialised investigations, or by serving geographical regions with few medical facilities.

The long-haul patterns are exceptionally good for diagnostics laboratories in international markets. All laboratories will profit from volume increases due to both population growth and ageing baby-boomers, an expansion in the quantity of tests per demand, and an increase in esoteric tests because of technological developments and the nascent trend towards customising treatments. Taken together, these trends will accelerate revenue growth beyond single digits.

6. What opportunities and challenges do you foresee for the Indian diagnostics industry?

The industry has enormous potential for development. There is not enough local competition in this sector due to high levels of technology integration between hardware, software, and chemistry. However, some of the challenges that the Indian industry faces includes high price of medical diagnostics equipment – most of the equipment is imported from western economies or Japan, and hence there is a high level of import taxation. Some other observations are:

- A majority of India's population lives in villages and do not have access to sophisticated medical diagnostics and medical care
- The central and state government health departments do not have the capability to fund acquisition of large purchases and do not make adequate investments in diagnostics
- Bureaucratic and policy delays make it quite difficult to get paid for purchases that have been made by the government
- A general perception exists that a lot of imported equipment (while it addresses critical disease identification) does not focus on more common ailments in rural areas in India. So, while there is a lot of functionality and science, is this what India needs?

We need to fund indigenous technology, forge more public-private partnerships, and focus on taking diagnostics to remote areas. Accurate diagnosis is the first step in timely and correct treatment. Point-of-contact diagnostics is a solution in this area. The government should play an active role as a facilitator of medical care rather than being a provider.

7. Tell us about Metropolis' achievements and aspirations. What is your growth outlook?

Metropolis has grown from a single centre in Mumbai to over 150 labs and more than 1000 collection centres in seven countries. It is the only laboratory to have marked a presence in the emerging markets of South Asia, Africa, and the Middle East. More importantly, we have earned a reputation as a trusted and highly regarded brand among doctors, hospitals, laboratories, and patients. Metropolis will continue to expand and grow in these markets.

Diagnostics is a superior investment vs. hospitals, but size is limited



Although the Indian healthcare services industry, particularly hospitals, has come a long way (by building quality infrastructure, world-class services at affordable rates, and attracting global patients), its growth has always remained under check despite huge prevailing demand. The capital-intensive nature of the business, lower margins, and lesser flexibility to expand into small towns hinders the growth of the organised hospital industry.

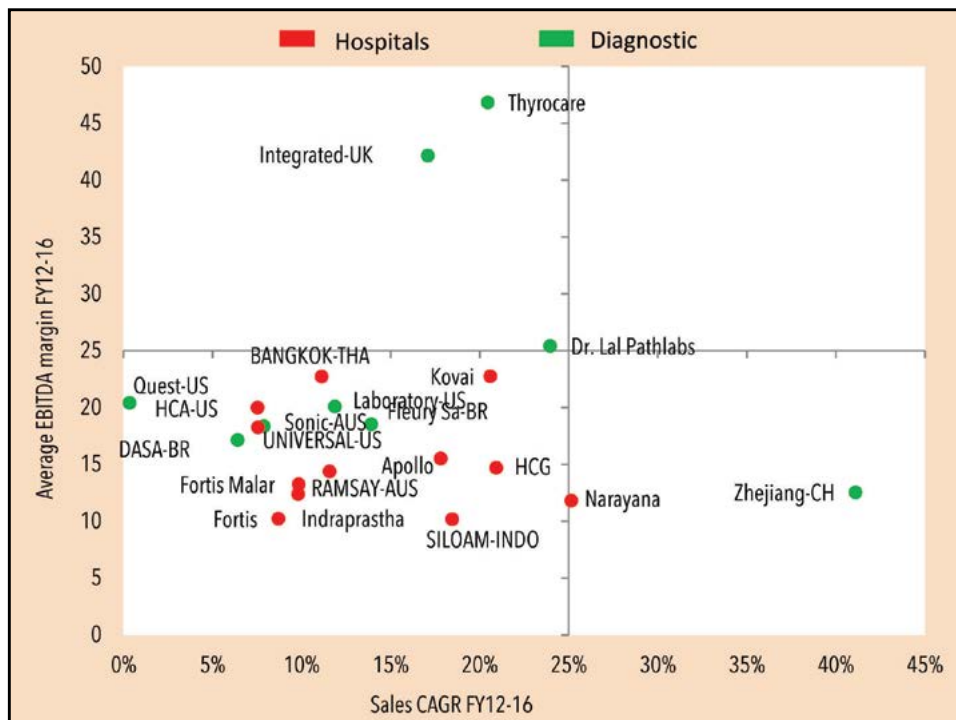
However, the diagnostic industry does not suffer from many of these constraints. It has emerged as the fastest-growing segment of the Indian healthcare industry, supported by strong capital efficiency (because of higher margins and healthy asset turnover) and its flexibility in expanding to the country's interiors (sometimes even outside India) with a minimal capital spend. The conducive macro environment (under-penetration of diagnostics

services with lower tests per patients, ageing population, changing disease profile to chronic lifestyle-related illness, and more importantly, the transition of the Indian industry towards becoming organised) provides enough visibility for long-term sustainable profitable growth. Its operational and financial soundness makes the Indian diagnostic industry a superior investment avenue. However, the limitations of the Indian diagnostics industry as an investment avenue is its relatively smaller base compared to hospitals.

Its operational and financial soundness makes the Indian diagnostics industry a superior investment avenue

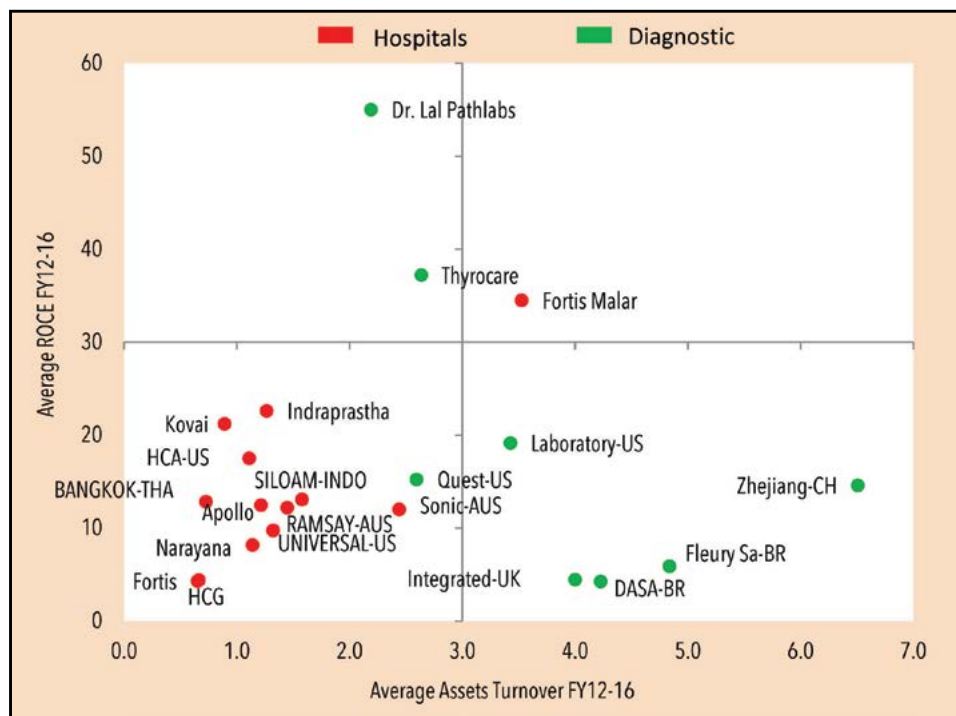
Globally the diagnostics industry proved to be superior compared to the hospitals both operationally as well as financially

Likewise in other geographies, Indian diagnostic peers outperform the hospital industry both in terms of sales growth and earning efficiency.



Note: Green dots represent diagnostic peers, red dots represent hospitals, suffixes to company names indicate country

Globally, the asset efficiency of diagnostic industry is superior to that of hospital players, which is evident in the Indian industry with superlative performance by Dr Lal and Thyrocare.



Note: Green dots represent diagnostic peers, red dots represent hospitals, suffixes to company names indicate country

As far as secondary investments in Indian diagnostics are concerned, there are only limited options available including Dr Lal PathLabs, Thyrocare and Fortis Malar hospitals (SRL's diagnostic business is proposed to be regrouped as per Fortis Healthcare's business restructuring). Hence, led by visible long-term growth and limited investment options, these listed players will continue to enjoy premium valuations for long.

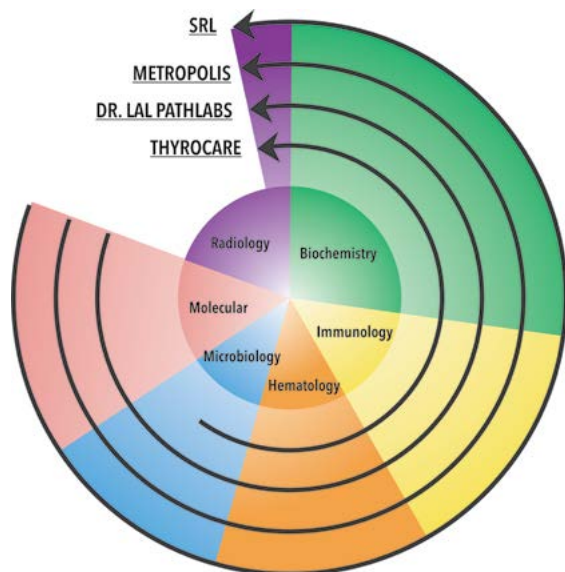
Because of the limited investment opportunity in the secondary market and fragmented nature of the Indian industry (larger share of unorganised players) the Indian diagnostic market will remain a hot investment destination for private equity and venture capital.



In this context, **Mr Abhishek P Singh, Ex-Director, PWC** says, "Although the Indian diagnostic market looks very lucrative as an investment destination for private equity and venture capital, there are limited quality investment avenues available.

In its early stage of progress, the domestic industry will test all possible ways to expand -- either through PE/VC funding or M&As or partnerships or diversification into more complex tests."

Test offering capabilities of Indian leading players



SRL, Metropolis, and Dr Lal Pathlab have relatively larger coverage compared to Thyrocare in pathology tests. Thyrocare is not into high-end molecular tests. It sees rapid progress in PET-CT segment of radiology, but others have a presence only in the basic radiology services like x-ray, ultrasound, doppler test, etc.

Price comparison of the leading players

Price	Metropolis	Thyrocare	Dr Lal Pathlab	SRL
Biochemistry	150-200	100-150	150-200	150-200
Hematology	150-170	80-100	150-170	150-170
Immunology	550-600	350-400	400-450	550-600
Microbiology	800-1000	600-700	500-550	800-1000
Molecular	5000-65000		5000-75000	5000-75000
Radiology	5000-50000	9000-10000	5000-50000	5000-50000

Only limited options available including Dr Lal PathLabs, Thyrocare and Fortis Malar hospitals (SRL's diagnostics business is proposed to be regrouped as per Fortis Healthcare's business restructuring). Hence, led by visible long-term growth and limited investment options, these listed players will continue to enjoy premium valuations for long

All the larger diagnostics peers are adequately accredited by NABL

Accreditation	Metropolis	Thyrocare	Dr Lal Pathlab	SRL
College of American Pathologist Accreditation	YES	YES	YES	YES
NABL	YES	YES	YES	YES
British Standards Institution (BSI)	YES	YES	YES	YES
ISO	YES	YES	YES	YES
South African National Accreditation System	YES	--	--	--

Leveraging NABL's mutual recognition arrangements (MRA) with the international bodies like International Laboratory Accreditation Co-operation (ILAC) and Asia Pacific Laboratory Accreditation Co-operation (APLAC), Indian diagnostic peers expanded their geographical reach in various emerging markets. In fact, NABL's MRA facilitate acceptance of test/ calibration results between partner countries.

Global presence

Metropolis	Thyrocare	Dr Lal Pathlab	SRL
UAE, Sri Lanka, South Africa, Kenya, Mauritius, Ghana	Nepal, Bangladesh, Gulf	Oman, Saudi Arabia, Kuwait, Nepal, Malaysia, Bangladesh, Qatar	Dubai, Sri Lanka, Nepal, Africa, Middle-East, Hong Kong, Maldives and SAARC countries

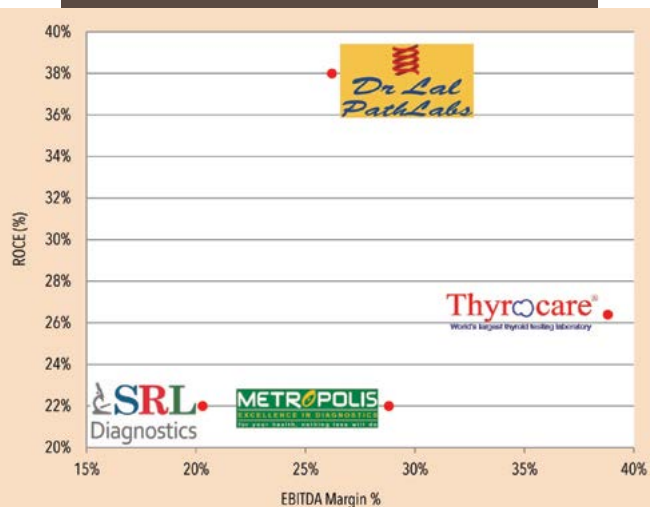
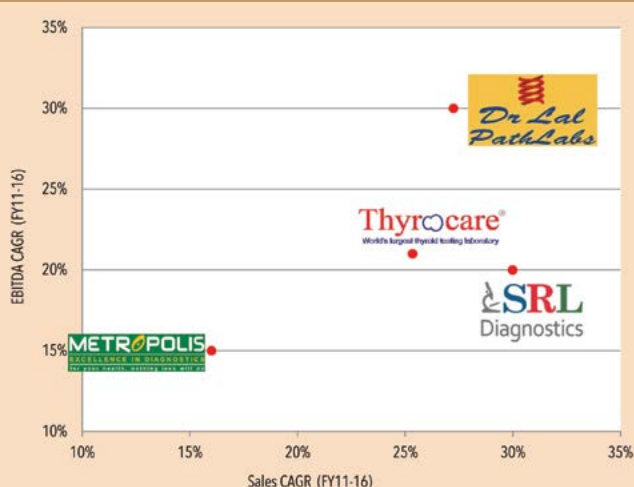
Dr Lal Pathlabs offers maximum number of test and its realisation per test is highest compared to its diagnostic chain peers. Metropolis' average realisation per test seems to be at the lower end, despite its presence in high-end tests

QUALITATIVE POSITIONING OF INDIAN DIAGNOSTIC PEERS

	Test offered	Test processed (mn)	Realisation Per test (Rs)
SRL	3800	33	276
Dr Lal PathLabs	4600	26	306
Thyrocare	135	12	206
Metropolis	4500	30	198

Dr Lal Pathlabs is the fastest-growing player and has the strongest capital efficiency; Thyrocare is not far behind in terms of growth and enjoys the highest margin amongst peers

EBITDA & Sales CAGR





Nitin Sood

CFO of PVR Ltd

We spoke to Mr. Nitin Sood, CFO of PVR Ltd., to discuss challenges and opportunities in the fast-growing film-exhibition industry.

Q – We have seen that opening of new malls has slowed down significantly in large metros like Mumbai and Delhi. How do you plan to expand in existing cities in this context?

It is not that new mall activity has suddenly slowed down; the situation has been the same over the last 18-24 months. In fact, we are opening about 60-65 screens a year – which is about 10 properties – not much for a country of India's size. But, we expect the pace to pick up soon because it cannot get slower than this. For example, we are opening new projects in Mumbai, Pune, and Delhi in the next two years. Similarly, Bangalore is seeing lot of action. Even Hyderabad is buzzing because of many L&T projects across the metro-rail corridor. There are opportunities in existing cities.

Q – People are increasingly using smart phones and accessing torrents – has this impacted footfalls, especially in more mature markets such as Mumbai and Delhi?

Actually, Delhi and Mumbai saw huge growth – not only in ticket pricing but also in terms of volumes. We have experienced that as the disposable income increases, spending on entertainment moves up. This is going to continue over the next decade at least. People who were earlier watching movies exclusively in multiplexes are now watching content

across multiple devices. But this has not stopped them from going to multiplexes, because while earlier entertainment was an aspiration product, now it has become more of an outdoor home entertainment lifestyle product – just like restaurants. It is more of a family experience. Having said that, 4G rates are dropping and broadband speed is increasing, so you will see a lot of promotions around films through channels such as YouTube and this might whet consumers' appetite to go out and watch the actual film.

Q – In tier 2-3 cities, where opening a new mall is a relatively new phenomenon, there is usually a pickup in footfalls in the first 9-12 months after which comes a sharp fall. How do you approach this problem?

We have not had such an experience in the tier-2 markets ever. In fact, these markets continue to do very well, because our key focus is choosing the right location and right shopping mall. That is the biggest differentiator between PVR and most other operators – in fact, this year, we are scheduled to open in Mysore, Baroda, and Muradabad; every year, we are adding 3-4 new cities. However, we will not open just because there is an opportunity – we also look into the fundamentals of the business.

Q – This question is in view of your expansion plans in south India – how are you dealing with the constraints of ticket prices in Tamil Nadu being generally capped at Rs 120. Does this market still work for you?

It works out because lower ticket prices are offset by higher occupancy. However, in the long run, it will not work – simply because you cannot keep delivering the product at that price. We are hoping that as the market matures, some of this restriction will go away. We are already seeing the market moving in a positive direction. The government also seems to have matured and realises that it cannot regulate pricing in a discretionary product such as entertainment. We hope that once GST comes into play, the industry would become bigger and more organised, and that some of the political agendas would be set aside – so we are hoping things will only improve.

Q – We have seen challenges from local content in the last 2-3 years. Has this impacted foot-falls for the exhibition industry?

India makes the most number of movies in the world. But the challenge is – quality of content. Sometimes, filmmakers are aligned with consumer behaviour and taste, but other times they aren't able to adopt. The problem is that we do not have good quality content, but as more money is available to the industry, hopefully, quality will improve. We see studios losing money and not doing well, but this is a good sign because it will cause the industry to evolve and push filmmakers to make better quality content.

Q – How do you cope in terms of lost revenue or lost opportunity when movies do not work as planned, especially from day-1 itself?

Typically, we have a week-long contract and we have to live with that. After this, we can make changes, but for large screens such as PVR, we work with the distributors and producers actively. If we have a situation like this (where we realize that the film isn't going to work from day 1) we go back to our raw material supplier and request them for relevant changes – within this, we reduce shows (or increase shows if the film does well). But yes, we carry a one-week risk on the performance of the film, after which we can reprogram the theatre.

Q – Piracy is one of the major risks inherent in the exhibition industry. What are the steps taken by multiplex groups to stop piracy?

As a cinema chain, we are actively working with the Multiplex Association of India and Producers Association of India to make anti-piracy laws far tougher and for increasing the focus on security and awareness. It is a constant struggle and we are actively lobbying with the government.

Q – What are your key focus areas for growth?

India is a very under-screened country and currently our presence is in only 48 cities. Observing movie-going habits in India, we believe that we have the potential to reach 100 cities – in the next 5-6 years, we will be expanding our presence. Our second focus will be to increase penetration in some of the existing cities because the screen density there is very low. Our third focus is to open more and more multiplexes in south India, as it provides a similar size and opportunity to the Hindi film industry, but it is still under-penetrated compared to the rest of the country.

Q - There have been many M&As in the exhibition side of the film industry in the last 4-5 years; so much so, that only four large serious players are now left in this business. In this light, what future M&A opportunities do you see?

One of the biggest reasons for M&As in the exhibition side has been that multiplexes are a fairly new phenomena in India. Since these only developed in the last decade or so, a lot of players entered into this space with no experience in running and managing operations and like many other industries, this led to consolidation in the last 4-5 years. The global cinema space is usually dominated by 3-4 large operators, which control 80% of the market – the rest is with smaller operators. What has happened in India, although quite early, is similar to what happened across other countries over a period. I think some M&As may still happen because there are small fringe operators left; but yes, I don't see big M&A opportunities remaining.

Indian Economy – Trend Indicators

Monthly Economic Indicators

Growth Rates (%)	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
IIP	3.7	9.9	-3.4	-0.9	-1.5	2.0	0.3	-1.3	1.3	2.2	-2.5	-0.7	0.7	-
PMI	51.2	50.7	50.3	49.1	51.1	51.1	52.4	50.5	50.7	51.7	51.8	52.6	52.1	54.4
Core sector	3.7	3.2	-1.3	0.9	2.9	5.7	6.4	8.5	2.8	5.2	3.0	3.2	5.0	-
WPI	-4.6	-3.7	-2.0	-0.7	-0.9	-1.0	-0.9	0.8	1.2	2.1	3.7	3.9	3.6	3.4
CPI	3.3	3.5	3.8	4.0	3.9	4.4	4.0	4.3	4.0	3.8	4.0	4.2	4.5	4.6
Money Supply	10.7	10.6	10.7	11.0	11.1	11.3	10.3	10.0	10.1	10.4	10.4	10.3	12.1	10.9
Deposit	10.6	10.5	10.4	10.9	11.1	11.0	9.9	9.3	9.5	9.7	9.5	9.2	11.3	9.8
Credit	7.1	8.8	9.8	11.1	11.4	11.6	11.3	9.2	9.8	9.4	9.7	9.6	11.2	8.5
Exports	-24.2	-17.1	-24.4	-14.7	-13.6	-5.7	-5.5	-6.7	-0.8	1.3	-6.8	1.2	4.6	9.6
Imports	-26.1	-21.1	-30.3	-3.9	-11.0	-5.0	-21.6	-23.1	-13.2	-7.3	-19.0	-13.5	-2.5	8.1
Trade deficit (USD Bn)	-10.2	-9.7	-9.8	-11.7	-7.6	-6.5	-5.1	-4.8	-6.3	-8.1	-7.8	-7.7	-8.3	-10.2
Net FDI (USD Bn)	2.8	4.9	2.7	3.6	4.1	2.8	1.4	2.0	1.5	3.3	3.6	4.9	-	-
FII (USD Bn)	-2.4	4.5	-3.8	-2.6	-1.5	-2.4	4.3	1.1	-0.4	-0.2	2.7	1.0	-	-
ECB (USD Bn)	2.6	2.1	3.2	3.0	1.4	1.4	1.5	0.3	1.3	1.1	1.2	3.2	-	-
Dollar-Rupee	65.6	65.3	66.7	66.2	67.8	68.4	66.2	66.3	67.3	67.5	67.0	67.0	66.6	66.8
FOREX Reserves (USD Bn)	350.0	353.6	351.6	352.1	349.2	346.8	355.6	361.6	360.9	360.8	365.5	366.8	370.8	-

Quarterly Economic Indicators

Balance of Payment (USD Bn)	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17
Exports	81.7	85.3	79.0	70.8	68.0	67.6	64.9	65.8	66.6
Imports	116.3	123.9	118.3	102.5	102.2	104.7	98.9	90.6	90.4
Trade deficit	-34.6	-38.6	-39.3	-31.7	-34.2	-37.2	-34.0	-24.8	-23.8
Net Invisibles	26.7	28.5	30.9	30.2	28.0	28.6	26.9	24.4	23.5
CAD	-7.9	-10.1	-8.4	-1.5	-6.1	-8.6	-7.1	-0.3	-0.3
CAD (% of GDP)	1.6	2.0	1.7	0.3	1.2	1.7	1.3	0.1	0.1
Capital Account	19.2	16.5	23.6	30.7	18.6	8.1	10.9	3.5	7.1
BoP	11.2	6.9	13.2	30.1	11.4	-0.9	4.1	3.3	7.0

GDP and its Components (YoY, %)	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17
Agriculture & allied activities	2.8	-2.4	-1.7	2.5	2.0	-1.0	2.3	1.8
Industry	6.2	3.4	6.9	7.1	8.5	10.3	9.2	7.7
Mining & Quarrying	7.0	9.1	10.1	8.5	5.0	7.1	8.6	-0.4
Manufacturing	5.8	1.7	6.6	7.3	9.2	11.5	9.3	9.1
Electricity, Gas & Water Supply	8.8	8.8	4.4	4.0	7.5	5.6	9.3	9.4
Services	9.9	11.7	8.3	8.3	7.9	8.5	8.1	8.4
Construction	5.3	4.9	2.6	5.6	0.8	4.6	4.5	1.5
Trade, Hotel, Transport and Communications	8.4	6.2	13.1	10.0	6.7	9.2	9.9	8.1
Finance, Insurance, Real Estate & Business Services	12.7	12.1	9.0	9.3	11.9	10.5	9.1	9.4
Community, Social & Personal Services	10.3	25.3	4.1	5.9	6.9	7.2	6.4	12.3
GDP at FC	8.1	6.7	6.2	7.2	7.3	6.9	7.4	7.3

Annual Economic Indicators and Forecasts

Indicators	Units	FY9	FY10	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Real GDP/GVA growth	%	6.7	8.6	8.9	6.7	4.9	5.6	7.1	7.2	6.8	7.4
Agriculture	%	0.1	0.8	8.6	5	1.2	4.3	-0.2	1.2	4	3
Industry	%	4.1	10.2	8.3	6.7	5.1	0.4	6.5	8.8	5.5	10.6
Services	%	9.4	10	9.2	7.1	6	8.2	9.4	8.2	7.8	7.4
Real GDP	Rs Bn	41587	45161	49185	52475	54821	90844	97275	104272	111362	119603
Real GDP	US\$ Bn	908	953	1079	1096	1008	1503	1595	1604	1662	1772
Nominal GDP	Rs Bn	56301	64778	77841	90097	101133	112728	124882	135762	150594	168176
Nominal GDP	US\$ Bn	1229	1367	1707	1881	1859	1864	2047	2089	2248	2491
WPI (Average)	%	8.1	3.8	9.6	8.7	7.4	6	2	-2.5	3	3
CPI (Average)	%	9	12.4	10.4	8.3	10.2	9.5	6.4	4.9	4.6	4
Money Supply	%	20.5	19.2	16.2	15.8	13.6	13.5	12	10.3	11	11.5
CRR	%	5	5.75	6	4.75	4	4	4	4	4	4
Repo rate	%	5	5	6.75	8.5	7.5	8	7.5	6.75	5.75	5.25-5.5
Reverse repo rate	%	3.5	3.5	5.75	7.5	6.5	7	6.5	5.75	5.25	4.75-5
Bank Deposit growth	%	19.9	17.2	15.9	13.5	14.2	14.6	12.1	9.7	14	8
Bank Credit growth	%	17.5	16.9	21.5	17	14.1	13.5	12.5	10.7	8	9
Centre Fiscal Deficit	Rs Bn	3370	4140	3736	5160	5209	5245	5107	5351	5339	5045
Centre Fiscal Deficit	% of GDP	6	6.4	4.8	5.7	5.2	4.6	4.1	3.9	3.5	3
State Fiscal Deficit	% of GDP	2.4	2.9	2.1	1.9	2	2.2	2.9	2.4	2.7	2.8
Consolidated Fiscal Deficit	% of GDP	8.4	9.3	6.9	7.6	6.9	7.1	6.6	6.3	6.2	5.8-6
Exports	US\$ Bn	189	182.4	251.1	309.8	306.6	318.6	316.7	266.4	275.7	279.8
YoY Growth	%	13.7	-3.5	37.6	23.4	-1	3.9	-0.6	-15.9	3.5	1.5
Imports	US\$ Bn	308.5	300.6	381.1	499.5	502.2	466.2	460.9	396.4	392.5	412.1
YoY Growth	%	19.7	-2.5	26.7	31.1	0.5	-7.2	-1.1	-14	-1	5
Trade Balance	US\$ Bn	-119.5	-118.2	-129.9	-189.8	-195.6	-147.6	-144.2	-130.1	-116.8	-132.3
Net Invisibles	US\$ Bn	91.6	80	84.6	111.6	107.5	115.2	116.2	107.9	102.9	106.5
Current Account Deficit	US\$ Bn	-27.9	-38.2	-45.3	-78.2	-88.2	-32.4	-27.9	-22.2	-13.9	-25.8
CAD (% of GDP)	%	-2.3	-2.8	-2.6	-4.2	-4.7	-1.7	-1.4	-1.1	-0.6	-1
Capital Account Balance	US\$ Bn	7.8	51.6	62	67.8	89.3	48.8	90	41.1	39	63.4
Dollar-Rupee (Average)		45.8	47.4	45.6	47.9	54.4	60.5	61.2	65.5	67	67.5

Source: RBI, CSO, CGA, Ministry of Agriculture, Ministry of commerce, Bloomberg, PhillipCapital India Research

PhillipCapital India Coverage Universe: Valuation Summary

Name of company	Sector	CMP		Mkt Cap		Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
		Rs		Rs mn		FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Tata Motors	Automobiles	460		1,478,952		2,778,630	3,195,336	446,700	562,265	156,757	230,352	49	72	41.8	46.9	9.4	6.4	1.6	1.3	4.0	3.1	16.5	19.9	8.6	11.2
Bharat Forge	Automobiles	901		209,829		72,614	80,294	13,685	15,935	6,242	8,008	27	34	-4.7	28.3	33.6	26.2	5.3	4.7	16.5	13.8	15.8	17.8	12.1	14.2
Mahindra & Mahindra	Automobiles	1,186		736,522		443,257	497,442	58,953	66,906	36,700	42,038	62	71	11.5	14.5	19.1	16.7	2.8	2.5	12.4	10.8	14.7	15.1	12.7	13.4
Ashok Leyland	Automobiles	80		227,386		214,973	252,194	24,432	28,655	13,514	16,763	5	6	21.6	24.0	16.8	13.6	3.4	2.8	9.0	7.2	20.2	20.5	17.1	18.5
Apollo Tyres	Automobiles	184		93,711		131,251	143,714	21,052	23,156	11,091	12,176	22	24	6.1	9.8	8.4	7.7	1.3	1.1	5.3	4.7	15.4	14.7	11.7	11.3
Maruti Suzuki	Automobiles	5,088		1,537,029		667,073	760,102	108,847	121,988	72,498	84,503	240	280	58.6	16.6	21.2	18.2	4.7	3.9	14.0	12.4	22.1	21.2	22.3	21.7
Mahindra CIE	Automobiles	184		69,662		54,170	66,956	6,497	9,384	3,147	5,040	10	13	90.4	37.1	18.9	13.8	2.6	1.6	11.2	7.2	14.0	13.7	12.1	21.6
Bajaj Auto	Automobiles	2,664		770,917		255,269	300,115	53,960	63,930	43,406	51,405	150	178	18.8	18.4	17.8	15.0	5.2	4.2	13.8	11.1	29.1	28.1	30.3	29.6
Hero MotoCorp	Automobiles	3,163		631,661		314,421	363,560	53,333	59,632	38,093	42,785	191	214	21.6	12.3	16.6	14.8	6.4	5.2	11.8	10.4	38.6	35.0	37.9	35.1
Escorts Ltd	Automobiles	320		39,261		39,725	45,855	3,187	4,476	2,243	2,972	19	25	115.9	32.5	17.0	12.9	1.9	1.7	12.2	8.2	11.1	13.0	7.7	12.2
Ceat Ltd	Automobiles	1,218		49,276		60,151	70,844	7,784	9,567	4,294	5,583	105	137	-6.2	30.0	11.5	8.9	2.0	1.7	6.6	5.1	17.7	19.1	17.4	18.9
Cummins India	Capital Goods	776		215,107		49,688	56,607	8,241	9,789	7,576	8,806	27	32	0.4	16.2	28.4	24.4	5.7	5.2	26.2	21.9	20.1	21.2	19.4	20.4
Engineers India	Capital Goods	293		98,824		14,797	17,487	2,813	3,396	3,257	3,602	10	11	28.2	10.6	30.3	27.4	3.6	3.5	25.5	21.3	11.9	12.9	13.1	14.1
Siemens	Capital Goods	1,086		386,853		113,677	114,685	11,405	12,999	6,699	8,025	19	23	15.7	19.8	57.7	48.2	7.1	5.7	31.4	26.5	12.2	11.8	9.6	39.7
Crompton Greaves	Capital Goods	74		46,254		60,489	65,839	5,474	6,348	1,933	2,727	3	4	62.0	41.1	23.9	17.0	1.0	0.9	7.2	5.9	4.1	5.6	3.2	5.0
VA Tech Wabag	Capital Goods	500		27,243		32,032	38,052	2,750	3,336	1,409	1,775	26	32	58.5	26.0	19.4	15.4	2.5	2.3	9.9	7.8	12.9	14.6	9.9	11.1
Voltas	Capital Goods	308		101,879		67,924	77,522	6,028	6,988	4,556	5,208	14	16	43.9	14.3	22.4	19.6	3.7	3.3	16.7	14.0	16.7	16.7	16.6	16.7
BHEL	Capital Goods	129		316,230		285,773	319,103	14,555	29,303	9,854	19,409	4	8	n.a.	97.0	32.1	16.3	0.9	0.9	14.7	7.2	2.9	5.5	2.2	4.2
ABB India	Capital Goods	1,052		222,822		88,400	102,059	7,755	10,029	3,730	5,155	18	24	15.2	38.2	59.7	43.2	6.9	6.3	28.2	21.5	11.6	14.7	10.4	12.7
Larsen & Toubro	Capital Goods	1,352		1,260,494		1,142,337	1,287,758	137,710	162,555	53,352	61,534	57	66	16.9	15.3	23.6	20.5	2.7	2.5	16.5	14.0	11.3	12.0	4.6	5.2
KEC International	Capital Goods	143		36,725		91,633	97,479	7,703	8,614	2,463	2,959	10	12	9.1	20.2	14.9	12.4	2.1	1.9	7.6	6.5	14.4	15.1	9.8	10.4
Thermax	Capital Goods	825		98,244		49,096	54,434	4,254	4,900	2,867	3,319	24	28	4.1	15.8	34.3	29.6	3.8	3.5	22.7	19.3	11.2	11.8	10.0	11.1
Inox Wind	Capital Goods	186		41,299		50,023	50,119	7,784	7,735	4,565	4,493	21	20	0.3	-1.6	9.0	9.2	1.9	1.6	6.3	5.4	20.8	17.7	14.9	13.5
Dalmia Bharat Ltd	Cement	1,652		146,674		81,114	84,727	20,304	23,089	5,205	5,600	59	63	172.5	7.6	28.2	26.2	3.9	4.0	10.2	8.8	13.8	15.1	8.2	8.2
Shree Cement	Cement	1,5594		543,236		90,772	98,584	31,833	35,748	18,381	20,311	528	583	203.1	10.5	29.6	26.7	7.1	5.9	16.5	14.3	24.0	21.9	23.2	23.1

Note: For banks, EBITDA is pre-provision profit

PhillipCapital India Coverage Universe: Valuation Summary

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
	Sector	Rs	Rs mn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Manglam Cement	Cement	264	7,042	9,475	9,874	1,296	1,551	372	617	14	23	n.a.	65.9	18.9	11.4	1.3	1.2	9.3	7.3	7.0	10.8	6.1	8.1
OCL India	Cement	817	46,487	29,529	33,165	5,857	6,592	3,224	3,721	57	65	57.5	15.4	14.4	12.5	2.8	2.4	7.5	6.1	19.5	19.3	17.5	20.6
JK Lakshmi Cement	Cement	375	44,132	31,203	36,664	4,797	6,257	751	1,817	6	15	221.9	142.1	58.8	24.3	3.1	2.8	13.0	9.4	5.3	11.7	6.3	9.2
JK Cement	Cement	733	51,257	37,763	45,175	6,005	8,230	1,503	2,999	21	43	137.1	99.5	34.1	17.1	3.0	2.8	12.9	9.3	8.9	16.3	6.4	9.1
HeidelbergCement	Cement	114	25,811	18,694	20,437	2,904	3,631	1,020	1,554	4	7	163.8	52.4	25.3	16.6	2.6	2.2	11.0	8.1	10.2	13.5	8.3	10.3
India Cement	Cement	117	35,940	60,035	66,592	10,226	11,472	2,601	3,949	8	13	80.1	51.8	13.8	9.1	1.0	0.9	5.8	4.8	7.3	10.4	7.5	9.3
Ambuja Cement	Cement	205	407,157	98,754	108,682	17,340	21,077	10,163	12,052	6	6	10.3	5.6	35.7	33.8	4.6	4.8	22.7	18.5	12.8	14.3	9.9	12.7
ACC	Cement	1,320	247,879	126,246	140,981	15,917	18,630	9,415	9,893	50	53	25.2	5.1	26.4	25.1	2.8	2.7	15.0	12.9	10.8	10.9	9.7	9.7
Ultratech Cement	Cement	3,536	970,481	289,472	361,256	61,865	80,231	34,527	38,577	126	141	51.0	11.7	28.1	25.2	4.0	3.5	16.0	14.5	14.4	14.1	11.4	10.6
Havells India Ltd	ELECTRICALS	344	214,732	62,253	71,739	8,779	9,912	6,240	6,953	10	11	21.7	11.4	34.4	30.9	7.4	6.8	22.9	20.1	21.6	21.9	19.2	19.8
Finolex Cables Ltd	ELECTRICALS	407	62,315	25,780	28,026	4,037	4,573	3,229	3,398	21	22	69.3	5.2	19.3	18.3	3.6	3.1	14.6	12.3	18.6	16.8	19.1	17.3
VGuard Industries Ltd	ELECTRICALS	171	51,401	21,454	24,841	2,307	2,736	1,550	1,889	5	6	38.8	23.2	33.3	27.0	8.7	6.9	22.3	18.6	26.2	25.6	26.7	26.4
KEI Industries	ELECTRICALS	127	9,790	25,741	28,654	2,740	3,129	2,460	2,830	32	37	13.4	15.0	4.0	3.5	2.2	1.8	5.3	4.3	55.4	51.2	26.9	29.2
Bajaj Electricals Ltd	ELECTRICALS	217	21,882	46,946	50,568	2,605	2,989	1,069	1,284	11	13	11.8	20.0	20.4	17.0	2.6	2.3	10.3	8.8	12.7	13.5	10.6	11.1
UC Housing Finance	Financials	545	274,814	143,985	165,008	32,929	37,899	19,638	23,422	39	46	18.2	19.3	14.0	11.7	2.6	2.2	8.3	7.3	19.7	20.0	1.4	1.4
DCB Bank	Financials	109	31,136	7,681		3,210		1,298		5		-20.0		23.8		1.8	1.8	9.7		7.4		0.6	
Indusind Bank	Financials	1,060	631,547	54,526	66,136	50,352	61,041	26,948	32,677	46	55	18.3	21.3	23.2	19.1	3.3		12.5	10.3	14.6	15.6	1.8	1.8
Repro Home Finance	Financials	600	37,528	10,987	13,963	3,196	4,116	1,901	2,435	30	39	27.0	27.6	19.8	15.5	3.4	2.8	15.2	12.5	18.4	19.8	2.2	2.2
Punjab National Bank	Financials	136	289,616	195,620		140,053		43,195		105		31.7		1.3		0.8		2.1		9.8	-	0.6	-
Bank of India	Financials	116	122,819	127,049	142,825	74,176	82,988	11,076	31,558	12	30	-129.6	148.5	9.8	3.9	0.7	0.2	1.7	1.5	3.8	9.7	0.2	0.4
Corporation bank	Financials	45	51,331	49,080	55,839	36,350	41,425	2,648	8,250	11	31	-218.0	178.3	4.0	1.5	0.1		1.4	1.2	2.3	6.6	0.1	0.3
Bank of Baroda	Financials	162	372,122	144,969	175,604	103,271	130,622	35,224	54,237	15	23	-327.4	54.0	10.6	6.9	1.0	1.2	3.6	2.8	8.8	12.3	0.5	0.6
State Bank of India	Financials	253	1,961,654	865,203		504,629		145,077		181	241	10.6		1.4	1.0	1.2		3.9		7.6	9.4	0.7	1.4
Union Bank	Financials	149	102,601	90,635	103,348	63,774	71,739	11,365	20,929	15	28	-19.4	84.1	10.0	5.4	0.6		1.6	1.4	5.4	9.1	0.3	0.4
Canara Bank	Financials	311	168,653	99,117	112,933	71,508	80,121	14,946	22,135	28	39	41.2	40.7	11.1	7.9	0.7	269.3	2.4	2.1	5.1	7.0	0.2	0.3

PhillipCapital India Coverage Universe: Valuation Summary

		CMP	Mkt Cap	Net Sales (Rs mn)	EBIDTA (Rs mn)	PAT (Rs mn)	EPS (Rs)	EPS Growth (%)	P/E (x)	P/B (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)										
Name of company	Sector	Rs	Rs mn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E										
Indian Bank	Financials	241	115,630	48,420	55,553	33,215	37,766	9,103	13,435	19	26	23.3	39.5	12.7	9.1	1.0	1.2	3.5	3.1	6.7	9.1	0.4	0.6
Oriental Bank of Comm	Financials	117	40,363	59,126	68,741	41,596	49,301	4,262	10,303	12	27	567.6	125.6	9.6	4.2	0.3		1.0	0.8	3.0	6.8	0.2	0.4
ICICI Bank	Financials	255	1,486,504	243,027	279,515	256,001	288,449	130,580	153,170	112	131	7.8	17.1	2.3	1.9	1.8	82.2	5.8	5.2	14.0	14.8	1.7	1.8
Shriram Transport Fin	Financials	909	206,134	60,333	70,976	44,783	52,288	18,266	22,139	81	98	55.0	21.2	11.3	9.3	90.9	90.9	4.6	3.9	16.7	17.4	2.5	2.4
Shriram City Union Fin	Financials	1,910	125,921	28,474	33,889	16,675	19,646	6,286	7,504	95	114	18.6	19.4	20.0	16.8	2.5	2.2	7.6	6.4	13.2	14.1	2.8	2.8
Cholamandalam Inves	Financials	979	152,809	25,095	30,669	15,417	18,807	7,487	9,981	48	64	31.7	33.3	20.4	15.3	3.5	2.9	9.9	8.1	18.8	20.9	2.5	2.7
HDFC Limited	Financials	1,256	1,985,376	326,384	358,655	106,625	117,385	73,588	81,113	39	46	-	-	32.3	27.1	5.2	4.6	18.6	16.9	20.4	20.1	2.5	2.4
Mah & Mah Finance	Financials	300	170,573	36,558	40,734	23,657	26,085	8,286	11,494	15	20	23.2	38.7	20.4	14.7	2.5	2.2	7.2	6.5	13.0	16.2	2.0	2.4
HDFC Bank	Financials	1,179	2,984,290	329,802	395,763	262,480	314,874	146,510	175,679	58	69	19.2	19.9	20.3	17.0	3.6		11.4	9.5	18.7	19.2	1.9	1.9
SKS Microfinance	Financials	733	100,825	19,728	28,908	6,827	10,197	7,298	8,384	53	60	122.2	13.7	13.8	12.2	3.5	2.8	14.8	9.9	34.4	25.5	7.9	6.1
Andhra Bank	Financials	51	34,773	59,881	67,841	41,930	47,784	9,668	11,505	13	15	80.8	19.0	4.0	3.4	0.4		0.8	0.7	8.9	9.5	0.4	0.5
Asian Paints	FMCG	959	919,439	170,929	197,055	32,852	38,090	20,792	24,219	22	25	16.9	16.5	44.2	38.0	13.9	11.8	27.8	23.7	31.4	31.2	32.1	31.9
Hindustan Unilever	FMCG	833	1,802,167	337,920	372,767	67,237	74,081	44,653	49,238	21	23	8.3	10.3	40.4	36.7	51.3	54.9	26.4	24.0	127.0	149.7	124.0	144.7
Bajaj Corp	FMCG	366	53,985	9,432	10,640	2,929	3,314	2,544	2,826	17	19	4.6	11.1	21.2	19.1	11.3	11.1	18.1	16.1	53.4	58.2	50.2	58.7
ITC	FMCG	231	2,788,961	399,103	422,736	152,397	162,039	104,443	111,133	9	9	11.1	6.4	26.6	25.0	8.0	7.9	17.8	16.8	30.1	31.5	23.5	23.9
Emami	FMCG	1,128	256,019	31,005	35,115	8,389	9,503	5,498	6,661	24	29	72.1	21.1	46.6	38.4	16.0	13.6	30.8	26.6	34.3	35.4	18.1	22.1
Nestle	FMCG	6,289	606,358	101,096	112,742	21,507	24,159	12,459	14,162	129	147	17.1	13.7	48.7	42.8	18.3	15.9	28.0	24.5	37.6	37.2	40.5	39.7
Jubilant Foodworks	FMCG	925	60,911	27,272	31,030	2,846	3,182	1,052	1,180	16	18	-8.2	12.2	57.6	51.3	6.9	6.1	21.2	18.6	12.0	11.9	12.2	12.1
Marico Industries	FMCG	248	319,962	65,107	73,527	12,389	14,084	8,573	9,762	7	8	18.3	13.9	37.3	32.8	12.7	10.6	25.4	22.0	34.0	32.5	31.7	30.8
Colgate	FMCG	940	255,748	46,445	53,244	10,914	12,594	6,572	7,510	24	28	8.1	14.3	38.9	34.1	21.0	18.5	23.2	20.1	53.9	54.3	58.7	57.7
Agro Tech Foods	FMCG	476	11,601	8,224	8,856	656	815	321	442	13	18	37.1	37.7	36.2	26.3	3.2	2.9	18.3	14.5	8.8	11.1	8.3	9.4
Dabur India Ltd	FMCG	278	488,953	88,740	97,932	16,109	17,936	13,203	14,842	8	9	5.4	13.4	37.0	32.7	10.0	8.5	30.3	27.1	27.0	26.1	25.0	24.5
Godrej Consumer Pro	FMCG	1,412	480,663	101,171	111,692	18,447	20,790	12,895	14,872	38	44	12.5	15.3	37.3	32.3	7.9	6.7	26.9	23.4	21.2	20.7	16.5	17.2
Britannia	FMCG	3,005	360,581	96,464	109,338	12,839	15,453	9,170	10,925	76	91	12.3	19.1	39.3	33.0	15.4	11.9	27.9	22.8	39.2	36.0	41.7	38.6
Apotex Industries	FMCG	321	6,662	5,640	6,557	798	1,074	500	691	24	33	30.2	38.0	13.3	9.6	4.2	3.2	8.0	5.1	31.2	33.3	35.5	38.1

PhillipCapital India Coverage Universe: Valuation Summary

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs mn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Glaxo Smithkline Cons	FMCG	5,075	213,449	44,452	49,551	7,214	8,190	7,546	8,548	179	203	9.9	13.3	28.3	25.0	7.6	6.7	25.2	21.5	27.0	26.8	28.8	28.6
J Kumar Infraprojects	Infrastructure	192	14,535	17,608	22,010	3,081	3,852	1,370	1,768	18	23	32.8	29.1	10.6	8.2	1.0	0.9	5.7	4.7	10.2	11.9	9.6	10.9
PNC Infatech Ltd	Infrastructure	110	28,181	24,170	29,004	3,190	3,829	1,808	2,048	7	8	-24.5	13.3	15.6	13.8	1.8	1.6	8.9	7.4	12.5	12.6	12.3	12.2
GMR Infrastructure	Infrastructure	12	69,413	94,388	94,438	33,267	35,629	-28,985	-25,388	-5	-5	70.7	-12.4	-2.2	-2.5	1.6	4.5	14.7	13.2	-73.7		-0.6	-0.1
GVK Power	Infrastructure	6	9,317	48,605	51,068	28,264	28,952	-3,136	-2,543	-2	-2	-53.9	-18.9	-3.0	-3.7	0.6	0.6	8.3	7.8	-21.7	-16.8	3.4	3.5
MBL Infrastructures Ltd	Infrastructure	87	3,621	25,458	28,004	2,546	2,800	722	774	17	19	-15.1	7.2	5.0	4.7	0.5	0.4	5.5	5.1	9.5	9.4	8.8	8.6
KNR Construction	Infrastructure	727	20,443	12,004	15,005	1,681	2,101	1,076	1,341	38	48	-33.2	24.6	19.0	15.2	2.5	2.1	13.1	10.5	13.8	15.0	12.8	13.7
NCC	Infrastructure	81	45,030	88,468	99,079	8,183	9,165	2,785	3,708	5	7	17.5	33.1	16.2	12.1	1.2	1.1	7.3	6.6	7.6	9.3	10.3	11.1
ITD Cementation	Infrastructure	143	22,180	40,613		3,249		1,400		9		83.1		15.8		3.1		7.8		19.3		17.4	-
Ashoka Buildcon	Infrastructure	141	26,351	30,988	37,898	8,969	11,202	1,557	2,302	8	12	58.3	47.9	16.9	11.4	1.3	1.2	7.4	5.8	7.8	10.5	5.8	7.0
Adani Ports & SEZ	Infrastructure	277	573,447	77,415	85,521	51,476	57,189	33,145	36,854	16	18	16.4	11.2	17.3	15.6	3.5	2.9	15.2	13.4	20.3	18.7	10.6	10.7
IRB Infrastructure	Infrastructure	187	65,791	56,734	56,606	32,063	35,903	6,549	6,718	19	19	3.0	2.6	10.0	9.8	1.1	1.0	6.9	6.2	11.3	10.4	3.4	3.7
Mindtree Ltd	IT Services	474	79,493	52,645	57,095	7,270	8,452	4,606	5,493	27	33	-16.7	19.2	17.3	14.5	3.0	2.6	10.7	9.0	17.3	18.3	18.1	19.4
Wipro	IT Services	465	1,130,653	557,507	590,946	109,963	120,772	85,148	95,760	35	39	-3.4	12.9	13.3	11.8	2.3	2.0	11.0	9.6	17.1	17.1	16.4	16.9
NiIT Technologies	IT Services	426	26,140	27,831	30,169	4,517	5,115	2,568	2,934	42	48	-5.3	14.2	10.1	8.9	1.5	1.4	4.4	3.4	15.0	15.3	12.7	15.0
Infosys Technologies	IT Services	973	2,234,008	688,385	755,583	185,546	205,984	143,602	160,687	63	70	6.4	11.9	15.5	13.8	3.3	2.9	9.9	9.0	21.1	21.0	22.0	22.2
Tata Consultancy	IT Services	2,260	4,452,872	1,188,626	1,284,801	324,576	343,619	258,385	275,475	131	140	6.7	6.6	17.2	16.2	5.1	4.4	13.4	12.6	29.7	27.1	31.3	28.3
HCL Technologies	IT Services	805	1,136,082	507,047		109,241		86,842		61		9.5		13.1		3.2		10.4		24.6		24.1	-
Persistent Systems	IT Services	602	48,168	28,512	30,811	4,553	5,053	3,105	3,410	39	43	4.4	9.8	15.5	14.1	2.6	2.3	10.2	9.2	16.5	16.0	16.2	15.9
KPIIT Technologies	IT Services	132	26,040	32,829	35,067	3,802	4,349	2,325	2,667	12	14	-19.9	14.7	10.9	9.5	1.6	1.4	6.5	5.3	14.8	14.7	13.6	13.3
Tech Mahindra	IT Services	484	469,725	288,675	314,233	45,198	50,797	29,774	33,619	34	38	-2.7	12.9	14.2	12.6	2.4	2.1	9.9	8.4	16.7	16.7	17.3	17.1
Allcargo Logistics	Logistics	172	43,398	64,113	76,477	6,225	7,862	3,189	4,345	13	17	25.9	36.2	13.6	10.0	1.8	1.6	7.5	5.7	13.6	16.1	12.0	14.4
VRL Logistics Ltd	Logistics	269	24,563	18,204	19,624	2,471	2,735	896	1,056	10	12	-12.4	17.9	27.4	23.3	4.4	4.0	11.0	9.7	16.0	17.3	11.3	12.6
Container Corp Of India	Logistics	1,168	227,642	67,724	85,237	14,912	19,459	10,859	13,473	56	69	22.6	24.1	21.0	16.9	2.5	2.2	13.5	10.0	11.8	13.2	11.7	13.2
Navkar	Logistics	172	24,586	4,646	7,908	1,975	3,161	1,193	2,047	8	14	6.8	71.6	20.6	12.0	1.7	1.5	14.2	8.5	8.3	12.2	7.9	11.5

PhillipCapital India Coverage Universe: Valuation Summary

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)	
				FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Name of company	Sector	Rs	Rs mn																		
Gateway Distripacks	Logistics	233	25,285	10,902	12,342	2,411	3,262	1,081	1,782	10	16	-1.3	64.9	23.4	14.2	2.6	2.4	12.9	9.5	11.3	17.2
Zee Entertainment	Media	457	439,309	68,480	79,894	19,347	25,305	11,982	16,280	12	17	31.2	35.9	36.6	27.0	6.2	5.3	21.8	16.3	16.9	21.6
DB Corp Limited	Media	365	66,981	23,652	26,731	6,813	8,014	4,058	4,847	22	26	36.6	19.4	16.5	13.8	4.7	4.4	9.8	8.2	28.4	31.7
Jagran Prakashan	Media	172	56,229	23,782	26,102	6,879	7,789	4,100	4,775	13	15	24.9	16.5	13.3	11.4	2.8	2.4	8.3	6.8	21.0	20.7
HT Media	Media	72	16,665	27,311	29,520	3,781	4,329	2,310	2,750	10	12	32.6	19.0	7.2	6.1	0.7	0.6	6.0	4.5	9.9	10.4
Dish TV	Media	89	94,646	32,740	37,555	11,371	14,565	3,389	5,367	3	5	-51.9	58.4	27.9	17.6	13.0	7.5	8.5	6.3	46.4	42.4
Hindustan Media Vent	Media	272	19,926	9,901	10,778	2,462	2,891	1,993	2,361	27	32	10.3	18.5	10.0	8.4	1.8	1.5	7.9	6.0	18.2	17.8
Ortel Communication	Media	128	3,890	4,646	7,908	1,975	3,161	1,193	2,047	8	14	6.8	71.6	15.3	8.9	1.3	1.1	3.7	2.0	8.3	12.2
NALCO	Metals	57	110,370	72,089	77,808	12,945	14,162	9,019	9,765	5	5	77.5	8.3	12.2	11.3	1.0	1.0	6.4	6.5	8.6	8.9
SAIL	Metals	51	210,015	427,690	508,894	16,075	40,607	-14,663	-1,844	-4	-0	-64.4	-87.4	-14.3	-113.9	0.6	0.6	33.0	14.2	-3.9	-0.5
Tata Steel	Metals	409	397,179	1,163,992	1,243,743	164,164	189,198	44,735	64,650	46	67	382.7	44.5	8.9	6.1	1.2	1.1	7.3	6.1	14.0	17.3
Vedanta Ltd	Metals	229	677,581	720,078	847,756	210,679	252,322	48,186	83,511	16	22	54.0	38.2	14.1	10.2	1.4	1.1	6.5	5.0	10.1	10.8
JSW Steel	Metals	1,697	410,311	530,872	591,212	134,507	147,638	43,150	50,833	179	210	211.9	17.8	9.5	8.1	1.9	1.5	6.2	5.3	19.6	19.0
Hindustan Zinc	Metals	282	1,193,019	174,849	194,319	96,157	117,663	83,178	103,441	20	24	1.5	24.4	14.3	11.5	2.8	2.4	9.4	7.1	19.5	21.0
Hindalco Inds	Metals	175	362,198	1,009,893	1,034,015	129,099	131,732	28,007	29,472	14	14	259.1	5.2	12.9	12.3	0.9	0.8	7.4	6.9	6.8	6.7
Sintex Industries	Midcap	77	40,046	95,628	112,638	16,749	20,197	7,205	8,968	14	17	-3.2	24.5	5.6	4.5	0.6	0.5	6.6	5.6	10.8	12.0
KDDL	Midcap	225	2,269	5,564	7,041	502	701	132	224	13	22	47.3	70.2	17.2	10.1	2.4	2.0	7.1	5.1	14.0	20.1
Pennar Inds.	Midcap	43	5,115	19,470	23,453	2,235	2,751	835	1,091	7	9	61.6	30.6	6.1	4.7	1.0	0.8	2.7	2.1	15.6	17.4
Praj Inds.	Midcap	77	13,693	11,844	14,365	1,358	1,986	899	1,352	5	8	31.4	50.3	15.1	10.1	2.0	1.8	9.2	6.2	13.3	18.0
PEBS	Midcap	152	5,213	95,628	112,638	16,749	20,197	7,205	8,968	14	17	-3.2	24.5	11.1	8.9	1.2	1.1	4.5	3.9	10.8	12.0
Indraprastha Gas	Oil & Gas	825	115,528	37,088	40,722	10,090	11,034	5,966	6,629	43	47	39.3	11.1	19.4	17.4	4.0	3.5	10.7	9.5	20.9	19.9
Petronet LNG	Oil & Gas	370	277,538	267,706	287,917	23,224	27,096	12,790	15,249	17	20	19.6	19.2	21.7	18.2	3.8	3.3	12.1	10.1	17.5	18.2
Gujarat State Petronet	Oil & Gas	155	87,041	10,702	12,402	9,313	10,911	4,893	6,040	9	11	10.1	23.5	17.8	14.4	2.0	1.8	9.6	7.8	11.3	12.6
Gujarat Gas Ltd	Oil & Gas	539	74,208	50,503	56,444	9,887	11,410	3,672	4,703	27	34	84.9	28.1	20.2	15.8	3.1	2.7	9.8	8.5	15.4	17.2
Reliance Industries	Oil & Gas	998	3,234,987	2,921,804	3,496,944	398,294	584,973	219,750	298,152	74	101	-19.4	35.5	13.4	9.9	1.1	1.0	12.4	8.1	8.4	10.3

PhillipCapital India Coverage Universe: Valuation Summary

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Name of company	Sector	Rs	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E											
Castrol India	Oil & Gas	402	198,739	38,546	42,261	11,422	12,797	7,942	8,825	16	18	12.7	11.1	25.0	22.5	27.4	24.4	16.7	14.8	109.5	108.4	118.5	115.0
Gulf Oil Lubricants	Oil & Gas	688	34,106	11,475	13,488	1,887	2,363	1,243	1,569	25	32	23.9	26.3	27.4	21.7	10.6	8.3	17.9	14.2	38.8	38.1	29.0	31.4
Cadila Healthcare	Pharma	398	406,989	97,958	111,249	22,283	25,422	15,631	17,948	15	18	6.2	14.8	26.0	22.7	6.2	5.1	18.7	16.2	22.6	21.5	17.8	18.0
Sun Pharma	Pharma	707	1,700,329	323,564	353,069	107,456	126,664	68,641	82,220	29	34	18.6	19.8	24.8	20.7	4.6	3.8	14.5	11.8	18.4	18.5	15.7	16.3
Dr Reddy's Labs.	Pharma	3,188	528,285	148,697	164,583	30,483	38,677	16,696	22,775	98	134	-17.4	36.4	32.5	23.9	4.3	3.8	18.2	14.0	13.4	15.7	8.4	11.1
Aurobindo Pharma	Pharma	741	433,347	159,605	178,790	38,976	45,591	24,753	29,428	43	51	21.4	18.9	17.4	14.6	4.7	3.6	11.9	9.8	26.8	24.8	25.3	25.7
Cipla Ltd	Pharma	569	457,351	15,392	17,838	3,848	4,727	1,352	1,934	17	24	-13.7	43.0	33.8	23.6	3.5	3.1	120.0	97.7	21.8	23.2	-	-
Ipca Laboratories	Pharma	567	71,564	32,281	38,310	5,559	7,147	2,908	4,284	23	34	113.5	47.3	24.4	16.6	2.8	2.4	13.5	10.3	11.3	14.3	9.0	12.0
Divi's Laboratories	Pharma	1,174	311,780	44,131	52,628	16,161	20,209	11,967	14,405	45	54	10.1	20.4	26.1	21.6	6.0	5.0	19.3	15.3	23.2	22.9	-	-
Glenmark Pharma	Pharma	886	250,105	87,773	101,660	20,201	24,674	11,871	15,354	42	54	29.0	29.3	21.1	16.3	4.6	3.7	13.8	11.1	22.0	22.4	14.6	16.7
Lupin	Pharma	1,518	684,442	168,586	192,620	45,367	53,828	27,908	33,668	62	75	26.1	20.6	24.5	20.3	5.1	4.2	15.9	13.0	20.9	20.6	-	-
Biocon	Pharma	920	184,020	38,639	46,465	9,483	11,545	5,392	6,655	27	33	19.6	23.4	34.1	27.7	3.9	3.5	19.9	16.5	11.0	12.2	-	-
Titan Company	Retail	314	278,632	128,390	146,821	11,986	14,271	7,785	9,640	9	11	12.9	23.8	35.8	28.9	6.5	5.7	23.1	19.1	20.1	21.0	20.7	21.6
Atul Ltd	Specialty	2,198	65,204	29,097	32,266	5,296	6,131	3,095	3,635	104	122	14.9	17.5	21.1	17.9	4.2	3.5	12.3	10.2	20.0	19.4	-	-
Camlin Fine Sciences	Specialty	103	10,675	6,968	8,789	1,233	1,652	538	744	6	8	32.2	38.2	18.6	13.4	4.4	3.4	10.6	8.4	25.3	27.2	-	-
Meghmani Organics	Specialty	42	10,719	16,014	17,484	3,139	3,584	967	1,133	4	4	17.1	17.2	11.1	9.5	1.4	1.3	4.8	4.0	13.1	13.4	11.2	12.1
Vinati Organics	Specialty	581	29,995	7,188	8,427	2,164	2,624	1,350	1,673	26	32	40.6	24.0	22.2	17.9	4.6	3.8	13.8	10.9	20.7	21.1	-	-
Aarti Industries	Specialty	728	60,653	31,609	36,096	6,891	8,049	3,388	4,061	41	49	31.9	19.8	17.6	14.7	4.7	3.8	10.9	9.3	28.0	26.8	-	-
SRF Ltd	Specialty	1,543	88,608	51,195	57,566	10,905	12,377	5,242	6,212	91	108	20.9	18.5	16.9	14.3	2.8	2.4	10.1	8.8	14.9	14.9	9.4	9.9
Bharti Airtel	Telecom	325	1,298,555	1,005,185	1,097,939	361,076	404,685	45,975	77,036	11	19	17.8	67.6	28.3	16.9	1.8	1.6	6.8	6.0	6.5	9.7	6.0	6.8
Idea Cellular	Telecom	79	285,364	394,873	412,429	139,155	138,427	13,347	2,309	4	1	-56.4	-82.7	21.3	123.4	1.1	1.1	4.9	5.3	4.9	0.9	4.7	3.5
Tata Communications	Telecom	649	184,908	220,447	237,790	36,115	40,386	1,401	3,882	5	14	-35.7	177.1	132.0	47.6	-36.0	-68.8	7.2	6.2	-27.3	-	4.8	6.6
Bharti Infratel	Telecom	370	683,985	84,732	88,529	58,942	61,502	26,398	28,609	14	15	13.5	8.4	25.9	23.9	4.1	4.0	10.6	9.9	15.7	16.6	11.8	12.8

Note: For banks, EBITDA is pre-provision profit

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