APOLLO HOSPITALS ENTERPRISE LIMITED

CIN : L85110TN1979PLC008035

Apollo HOSPITALS TOUCHING LIVES

9th March 2016

The Secretary,
Bombay Stock Exchange Ltd (BSE)
Phiroze Jheejheebhoy Towers,
Dalal Street,
Mumbai - 400 001.
Scrip Code - 508869
ISIN INE437A01024

The Secretary,
National Stock Exchange,
Exchange Plaza, 5th Floor
Plot No.C/1, 'G' Block
Bandra - Kurla Complex
Bandra (E)
Mumbai - 400 051.
Scrip Code- APOLLOHOSP
ISIN INE437A01024

The Manager
The National Stock Exchange,
Wholesale Debt Market
Exchange Plaza, 5th Floor
Plot No.C/1, 'G' Block
Bandra - Kurla Complex
Bandra (E)
Mumbai - 400 051.
ISIN INE437A07062, INE437A07070, INE437A07088 & INE437A07093

Dear Sir

Sub: Disclosure under Para A, Part A of Schedule III of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

Please note that India Ratings and Research (Ind-RA) (a Fitch Group Company) has assigned Apollo Hospitals Enterprise Limited (AHEL) a Long-Term Issuer Rating of "IND AA+". It also assigned the Company's Non-Convertible Debentures (NCDs) an "IND AA+" Rating with a stable outlook.

The copy of the letter issued by Ind-RA is enclosed for your reference.

Please take the same on record.

Thanking you,

Yours faithfully,
For APOLLO HOSPITALS ENTERPRISE LIMITED

S.M. KRISHNAN
VICE PRESIDENT - FINANCE
AND COMPANY SECRETARY

CC : The Secretary,
Luxembourg Stock Exchange,
B.P. 165,
L-2011 Luxembourg.

Ref : ISIN US0376081065 - Rule 144a GDR
ISIN US0376082055 - Reg. S GDR

Securities and Exchange Commission
Division of Corporation Finance
Office of International Corporate Finance
450 Fifth Street, N.W.
Washington, D.C
20549-0302
File No. 82-34893

IS/ISO 9001:2000

India Ratings & Research

A Fitch Group Company

India Ratings Assigns Apollo Hospitals Enterprise & its NCDs 'IND AA+'; Outlook Stable

08

MAR 2016

By Vinay Betala

India Ratings and Research (Ind-Ra) has assigned Apollo Hospitals Enterprise Limited (Apollo) a Long-Term Issuer Rating of 'IND AA+'. The Outlook was Stable. The agency also assigned Apollo's non-convertible debentures (NCDs) an 'IND AA+' rating with a Stable Outlook. A full list of rating actions is at the end of this commentary.

KEY RATING DRIVERS

The ratings reflect Apollo's strong and established brand name, operational track record of 33 years, and strong position in the Indian healthcare market. The ratings also consider India's favourable demographics which are likely to drive sustained demand growth for health care services. Apollo's steady operating EBITDA margins of around 23% at its mature hospitals and the quick start up time of about two years for its new hospitals to reach profitability underline the successful expansion model used by the company to become the leading private healthcare provider in India.

Apollo's market position is driven by its track record of delivering quality healthcare, as highlighted by the JCI (Joint Commission International; international accreditation agency for healthcare) accreditation awarded to eight of its hospitals. Apollo's position as the largest chain of hospitals and pharmacies in India provides it a strong competitive advantage in attracting the best talent in terms of doctors and related staff and also gives it the benefit of scale in purchase of medicines and other consumables. Apollo's healthcare business, with its key focus areas such as oncology, cardiology, neurology and orthopaedics, is likely to witness sustained growth in demand. Ind-Ra expects demand growth to be driven by India's large population, increasing urbanisation and consequently lifestyle-related health problems, under-spending by the government, increasing disposable incomes, improving health insurance penetration, and increasing awareness.

The ratings also reflect Apollo's strong cash flows and liquidity, and relatively stable EBITDA margins in the hospitals segment despite capacity additions. Apollo reported fund flow from operations margin of about 10% and cash flow from operations margin of about 7% in FY15. While free cash flow has been negative due to capex of INR21.40bn during FY13-FY15, the company had cash & equivalents of INR5.04bn at FYE15 (FYE14: INR4.11bn; FYE13: INR6.78bn) and INR4.47bn at end-September 2015. Also, the company's debt has a long maturity profile.

The ratings are however constrained by the company's ongoing partly debt funded capex plan which has led to an increase in debt to INR20.08bn at FYE15 from INR8.23bn at FYE12 and net adjusted leverage to 3.15x from 1.92x. Apollo has already added about 1,300 hospital beds during FY13-FY15 and plans to add additional 1,350 beds by FY19. The company is now in the final stages of its current expansion plans, under which it plans to add 875 beds in FY16 and 475 beds in FY19 at a total investment of INR14.54bn, out of which INR7.24bn has already been spent by September 2015. Apollo will part fund the balance capex using debt. The net adjusted leverage peaked in FY15, and is likely to be stable in FY16 and improve thereafter, as the new capacities start contributing to revenue and profits. Apollo is also planning to raise INR7.5bn through a rights issue, which may partly be used for reducing high-cost debt, which may improve the credit metrics further.

RATING SENSITIVITIES

Positive: An increase in the EBITDA margins due to profitable operations in the new hospitals as well as improvement in margins in the pharmacy business, leading to positive free cash flow and a significant improvement in the credit metrics with net adjusted leverage being sustained below 1x could lead to a positive rating action.

Negative: Substantial debt-funded capex or acquisitions or inability to improve the EBITDA margins leading to the net adjusted leverage exceeding 2.5x beyond FY18 could lead to a negative rating action.

COMPANY PROFILE

Apollo started in 1983 with its first hospital in Chennai (150 beds), and it currently operates the largest chain of hospitals in India under its well-recognised brand 'Apollo Hospitals' and a large chain of pharmacies under the brand 'Apollo Pharmacy'. It operated 64 hospitals (8,985 beds) and 2,171 pharmacies as of September 2015. Apollo is 34.35% owned by the promoter family (Dr. Prathap Reddy and family) and is listed on the Bombay Stock Exchange and the National Stock Exchange.

It also has other business such as health insurance (through an 11% stake in Apollo Munich Health Insurance) and the clinics and diagnostics business (through Apollo Health and Lifestyle Limited), under which it operates 73 Clinics (32 franchisees and 41 owned, three cradles and 11 day surgery centres).

In FY15, Apollo reported revenue of INR51.78bn (FY14: INR43.84bn), operating EBITDA of INR7.35bn (INR6.72bn), operating EBITDAR of INR9.07bn (INR8.01bn) and net profit of INR3.40bn (INR3.17bn). At FYE15, the company had adjusted debt of INR33.65bn (INR23.02bn).

According to the interim results for 1HFY16, the company reported revenue of INR29.72bn (1HFY15: INR25.17bn), operating EBITDA of INR4.09bn (INR3.66bn), operating EBITDAR of INR4.97bn (INR4.34bn) and net profit of INR1.89bn (INR1.67bn). At end-September 2015, the company had debt of INR23.99bn and cash & equivalents of INR4.47bn.

Apollo’s ratings:

- Long-Term Issuer Rating: assigned 'IND AA+'/Stable

- INR3,940m non-convertible debentures: assigned 'IND AA+'/Stable

- Proposed INR3,560m non-convertible debentures: assigned 'Provisional IND AA+'/Stable

- INR4,587.8m foreign currency debt: assigned 'IND AA+'/Stable

- INR6,165m term loans: assigned 'IND AA+'/Stable

- INR2,650m fund-based working capital limits: assigned 'IND AA+'/Stable/'IND A1+'

- INR3,700m short-term loans: assigned 'IND A1+'

- Proposed INR397.2m term loans: assigned 'Provisional IND AA+'/Stable

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

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Rating Outstanding

(As on 08/Mar/2016)

Long Term Issuer Rating	IND AA+ / Stable	
Debenture	IND AA+ / Stable	INR 4587.8 m
Fund Based Working Capital Limit	IND AA+ / Stable	INR 2650 m
Fund Based Working Capital Limit	IND A1+	INR 2650 m
Non Convertible Debenture	IND AA+ / Stable	INR 3940 m

Non Convertible Debenture	Provisional IND AA+ / Stable	INR 3560 m
Term loan	IND AA+ / Stable	INR 6165 m
Term loan	Provisional IND AA+ / Stable	INR 397.2 m
Term Loan	IND A1+	INR 3700 m

Applicable Criteria

Corporate Rating Methodology
Operating Leases: Implications for Lessees Credit

Analyst Names

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