PTL ENTERPRISES – BACK OF THE HAND CALCULATIONS

- **FACTS**: PTL Enterprises going to demerge into entity holding hospital and another holding land and factory leased to Apollo. Kindly see context wherever not clear which entity is being talked of.
- In Aug 2014 when PTL tried to sell off the hospitals for 200 crore, this proxy advisory firm called IIAS analyzed the company to see what the right valuation could be for the hospital business.
- As per their comparisons, hospitals are valued between 1.5-2.5 crore per bed. On this basis, they valued the 347 beds of Artemis hospitals at approximately 820 crore.
- Artemis hospital in Gurgaon has the provision to expand up to 500 beds. From scuttlebutt (calling the hospital), it is clear that the hospital already has 380 beds. This takes total beds to 427 (380 plus 47).
- On a reasonable valuation of 1.5 crore per bed, this works out to approximately 640 crores for the entire hospital enterprise. If the bed count goes up to 547 (500 plus 47), then the valuation could be 820 crores.
- Do note that the entire market cap of PTL at the moment is 750 odd crores. if one were to assign a higher valuation per bed, which is possible since there have been recent investments into hospitals at 3 crore plus per bed, it essentially means the hospital business right now could be worth almost as much or more than the current market cap of the combined entity.
- For the hospital to be valued conservatively at 640 crore, the share price of the demerged entity would be Rupees ~95 - total shares outstanding 6.6 crores divided by expected market cap.
- If the hospital is valued with future expansion, i.e. 820 crore market cap, the share price of the demerged hospitalentity would be Rupees ~120.
- The PTL enterprises other demerged entity holds a butt load of land in Kochi, which has been recently revalued at 586 crore. A sale is underway to Kochi Metro at around 30 crores or so but is in court currently because of conflict of interest issues (because the Govt of Kerala is a shareholder in both Kochi metro and PTL enterprises). However, it will be resolved eventually.
- The land holding entity also leases factory premises to Apollo, which fetches them around 45 crores of rent annually, no expenses, pure bottom-line. Going forward, I think this entity would not require much funds as it just leases land (and may sell the excess land in the future) and will possibly repatriate the money to shareholders.
- 45 crores of rent annually with 42 crore EBIDTA and 29 crore net profit and not much visibility for growth. The EPS here works out to approximately 4 rupees per share or a market capital of 200-230 crore at a conservative value of 7-8 times earnings, which further equals a price of Rs 30 per share.

Value the land which the company has in excess = 586 crores, which is Rupees ~89 per share. So if the market were to value this entity fully, you would get market cap of 200-230 + 586 crore = 800 crores odd. This again works out to rupees ~90 per share.

- Now in summary - we have a hospital that can get definite valuation of between 95-120 per share, and the other entity, which can get Rs 30 (for rent profits) + Rs 89 (for land value) = Rs 120 again. Let's say we keep the second entity's valuations with a big discount i.e. 60% = still Rupees 72 per share.

- Total conservative value of demerged entities = 95 + 72 = Rs 167
  Total optimistic value of demerged entities = Rs 120 + 120 = Rs 240
  Current market price = Rs 117