



**Apollo Sindoori**  
Excellence in Hospitality

**Apollo Sindoori Hotels Ltd.**  
**(NSE : APOLSINHOT)**

**Date: 10<sup>th</sup> Apr, 2021 (CMP = 576)**

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# A proxy play to the healthcare theme

- Total Weightage % in portfolio = 6%
- Best Buying Range = Buy 3% between CMP 576-630 and add 3% if it falls down to 500-550 range.
- Price Target = 1200+ in next 12 months; 5x times in next 3-4 years; Expect 10x in next 5-6 years
- Apollo Sindoori Hotels provides food and beverages and housekeeping services to many major hospital chains across India. The group used to derive 90 per cent of its revenues from the Apollo Hospital business and is now targeting 40 per cent from non-Apollo clients. During FY16-17, the company had exclusively got listed on NSE at Rs 95/share after Madras Stock Exchange closed down its operation.



Market Cap	₹ 150 Cr.	Current Price	₹ 576	High / Low	₹ 705 / 390
Stock P/E	16.8	Book Value	₹ 316	Dividend Yield	0.35 %
ROCE	23.3 %	ROE	20.8 %	Face Value	₹ 5.00
Promoter holding	64.7 %	Gross block	₹ 35.6 Cr.	Gross Block PY	₹ 7.73 Cr.
Market Cap to Sales	0.87	Unpledged Prom Hold	64.7 %	Price to book value	1.82

# Massive addressable market size and tailwinds

Dear Investors,

As Warren Buffett said **“Price is what you pay and value is what you get”**.

This quote emphasizes the fact that although there must be short term variations in prices of stocks, however their worth or value does not change with those fluctuations. Value investing is an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value. Value investing believes that share prices do not justify a company's long-term fundamentals, as these prices are heavily dependent on market behaviour. By denying reaction according to market trends and, in most cases, moving in the opposite direction as the market, it employs a contrary investment approach.

Our latest recommendation is one such company from **proxy play to the healthcare theme**. The company is engaged in the business of providing catering services to corporates, institutions, hospitals, and industries; kitchen planning and management services. In addition to this, the company also operates hotels in Chennai and Bengaluru. **Apollo Sindoori Hotels is just a Rs 150 crore enterprise value entity with a massive addressable market size and tailwinds following it. At current market price of Rs 576, it has all the ingredients to be a massive multibagger stock in the coming years. The stock is very illiquid owing to its tiny equity structure.**

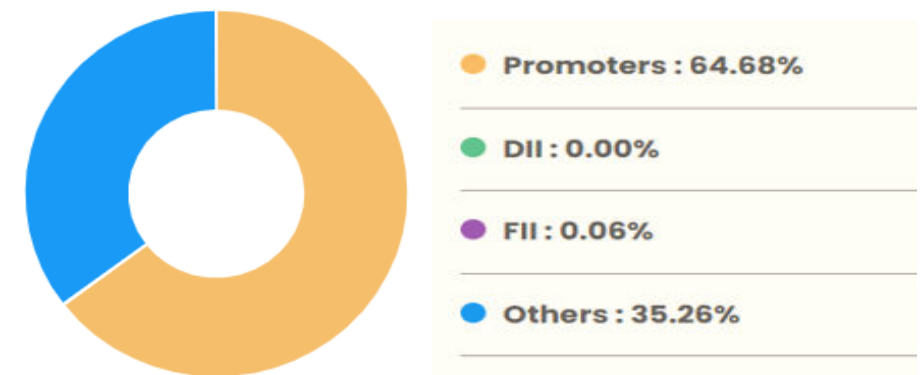
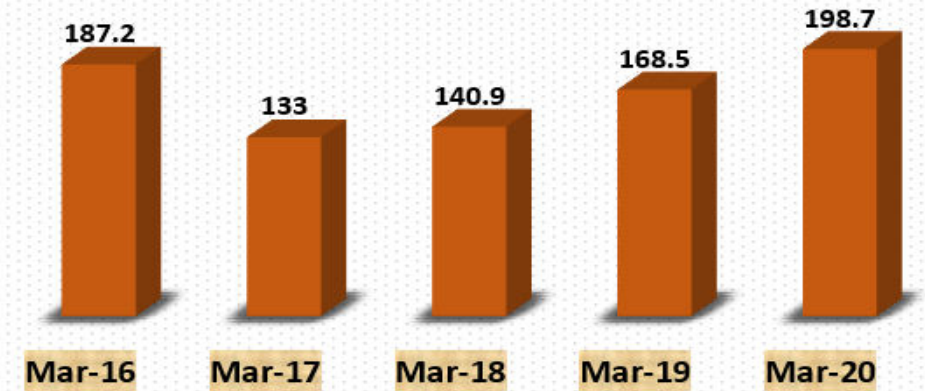
Apollo Sindoori Hotels is available at a single-digit PE with a 21% RoE and we believe it can be a very good proxy to play the healthcare theme in India. It provides food and beverages and housekeeping services to many major hospital chains across India. The group used to derive 90 per cent of its revenues from the Apollo Hospital business and is now targeting 40 per cent from non-Apollo clients. Focus of the company is to add newer non-Apollo clients like BM Birla, HAL, MFL, SVP Ahmedabad, Kamatchi Hospital and bring back profitability and show significant improvement in market performance.

The company's vision is to be India's leading hospitality company, serving an increasing number of people while adhering to best food practices and providing long-term value to all stakeholders. The company's unique characteristics have laid the foundation for growth: strong financial results, experienced and dedicated management, and contracts with respectable clients.

# Catering + Facility Mgmt. + Cloud Kitchen + Co-Working

- Apollo Sindoori Hotels Limited was incorporated on November 03, 1998 and is based in Chennai, India.
- **The company is a leading hospitality service management and support services company. It is into the business of catering, management service, hospitality and restaurants.**
- **It provides catering services to corporates, institutions, hospitals, and industries; and kitchen planning and management services.**
- The company also operates hotels in Chennai and Bengaluru. Apollo Sindoori runs an exquisite hotel in Bengaluru, located around business centres. **It also boasts a specialized cafe located very centrally at Nungambakkam - Sketch, the café.**
- They have **Bio-medical JV with Faber** (Malaysian co backed by the government): 51% with Faber and 49% with Apollo Sindoori Hotel. This is a cash cow business for the company and has been growing very strong. UEM Edgenta owns 51% stake in Faber Sindoori JV through its arm Edgenta Facilities Sdn Bhd (formerly known as Faber Medi-Serve Sdn. Bhd.)
- Olive & Twist Hospitality Private Limited (100% subsidiary) incorporated on 25th February 2019, with a view to carry on **Elite Catering, Convention Centers, Event Management, Cloud Kitchen and Business Centers.**
- **Though it is a microcap, risk is less as it is a related party of AHEL with the same management.**

## Revenue over the last 5 years



Source: Company Disclosures

# Core Business Segments





Apollo Sindoori provides everything from catering to hospitality to restaurants, as well as management services.

## 1. Catering



***Tailor-made to client needs***

**Apollo Sindoori offers catering services to corporates, institutions, hospitals and caters to industries as well.**

 Corporate	 Institution	 Hospitals	 Industrial Catering
<ul style="list-style-type: none"> <li>✓ Staff catering and business activities are the focus of the corporate catering services.</li> <li>✓ The company provides a range of cuisines for companies, including Russian, English, French, and Indian.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Apollo Sindoori has expertise in preparing nutrition-based menus for a variety of children's needs.</li> <li>✓ The one-of-a-kind menu system for organizations is set up in such a way that the menu is never the same week after week.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Apollo Sindoori is one of India's most well-known hospital caterers.</li> <li>✓ The company collaborates with the hospital nutritionist to create a menu tailored to the specific needs of each patient and procedures follow ISO guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Apollo Sindoori has experience catering not only for industrial food services, but also for industries with off-shore needs.</li> <li>✓ It has worked in a number of demanding conditions, including vulnerable mines, allowing the business and employees to concentrate on the task at hand.</li> </ul>

Source: Company Disclosures

# Core Business Segments (contd.)

## 2. Hospitality

- ✓ The Apollo Sindoori Hotel in Bengaluru, located on Bannerghatta Road, is close to all of Bengaluru's major commercial areas.
- ✓ It not only provides excellent comfort for discerning travellers, but also top-notch amenities.



## 3. Restaurants



- ✓ Sketch is a cozy sixteen-seater café in the heart of Chennai that serves continental cuisine, as well as bakery and confectionary pieces.
- ✓ Its quiet and relaxed environment, tucked away in a peaceful corner, provides an ideal setting for conversations with friends or catching up on work through free Wi-Fi. For breakfast, lunch, and dinner, Sketch's live kitchen prepares delectable vegetarian and non vegetarian dishes.

Signature desserts by the award winning pastry chef have captured the imagination of many connoisseurs at Sketch Cafe.

Source: Company Disclosures

# Core Business Segments (contd.)

## 4. Management Services



### FEW OF THE TRAINING MODULES INCLUDE :

- ✓ Technical Skill Development - Hospitality Training
- ✓ Customer Relations
- ✓ Hygiene And Safety
- ✓ Soft Skill Development
- ✓ Awareness On Quality Management Systems & Quality Certifications
- ✓ First Aid / BLS
- ✓ Fire Preparedness & Safety
- ✓ Food Nutrition
- ✓ Dietetics
- ✓ Food Safety (FSSAI – HACCP)



Apollo Sindoori is a perfect platform to set up a kitchen at the office, hospital, or some other location!!!

The company is the best partner to consult for preparing, implementing, and overseeing the kitchen, due to the 30 years of experience and knowledge in hospitality and food service management.

The company advises on anything from farm to fork, including kitchen planning, infrastructure planning, installation, logistics, menu planning, recruitment, and manpower resourcing.

Source: Company Disclosures



# Faber Sindoori Management Services Pvt Ltd (49% JV)

## Details of Net Assets and Share of Profit of Joint Ventures:

(Rs.in Lakhs)

Joint Venture - Faber Sindoori Management Services Pvt Ltd		
(As per Consolidation Method)		
Particulars	As at 31 Mar 2020	As at 31 Mar 2019
Net Asset (Total asset minus Liabilities)	4,097.64	3,254.74
Net Asset of consolidated FS	7,944.65	6,752.11
% on consolidated Net assets	52%	48%
Share of Profits/ (Losses)	966.68	1,121.37
Consolidated profit / (Losses)	1,531.57	2,056.05
% on consolidated profit	63%	55%

Established in 2007, as a joint venture between **Faber Facilities Sdn. Bhd.** (a leading pioneer in the wellness industry in Malaysia) and **Apollo Sindoori Hotels Limited** of India. The joint venture exists for setting up a project upon mutually agreed objectives in the domain of **bio-medical engineering (maintenance), facility engineering (maintenance), cleansing, housekeeping, janitorial services and hospital support services (other than catering services) and management information services (other than patient information).**

**Apollo Sindoori** hold 49% in **Faber Sindoori Management Services Private Limited** and balance 51% is held by **FMS**.



Faber Sindoori Management Services have a very huge list of Esteemed Client List range from small, Mid and Large Enterprises.

Source: Company Disclosures

# Olive and Twist Hospitality (100% Subsidiary)

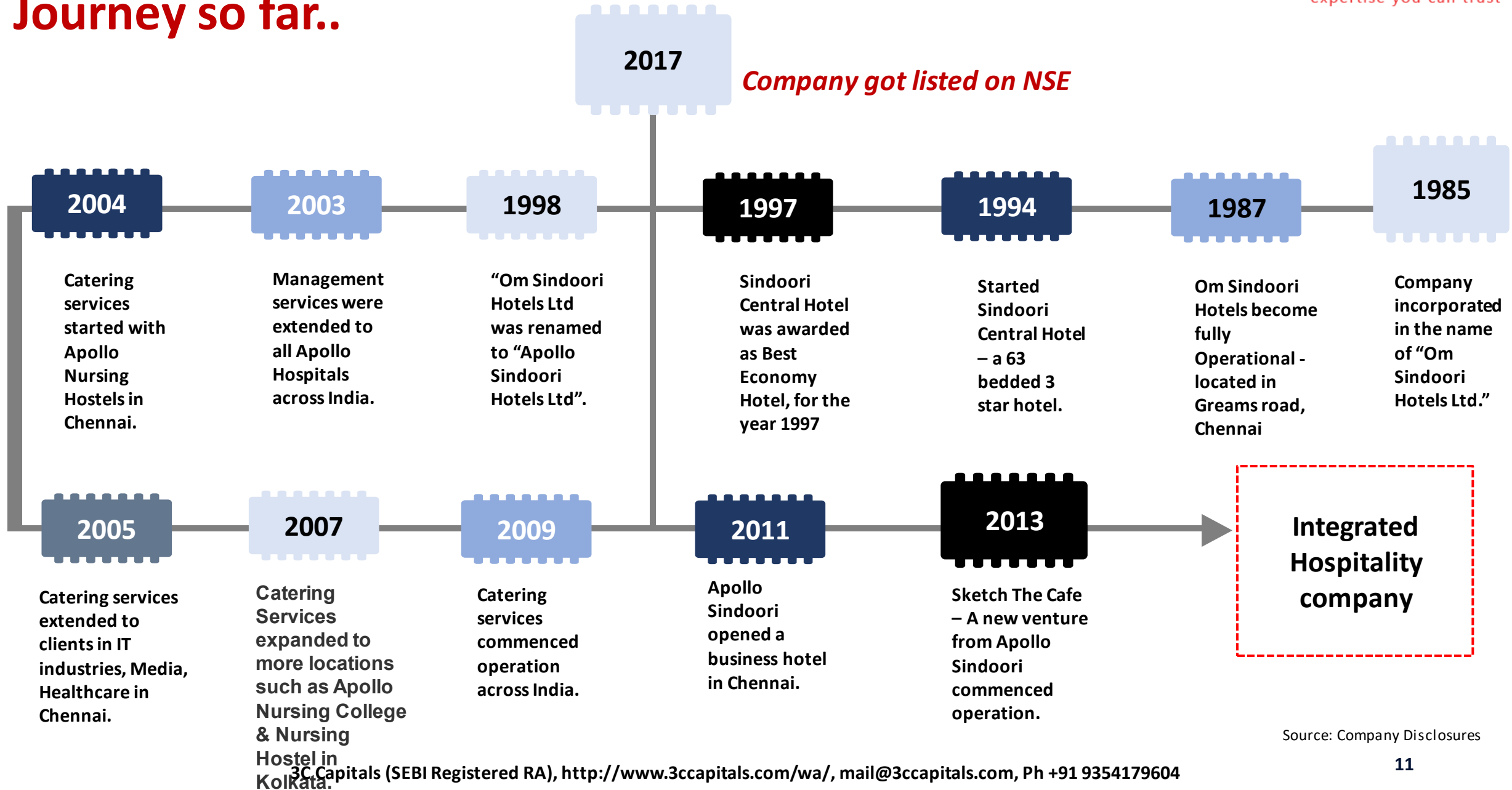


1	Name of the subsidiary	Olive & Twist Hospitality Private Limited
2	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	31.03.2020
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Not Applicable
4	Share capital	Rs.1,00,00,000/-
5	Reserves & surplus	Nil
6	Total Assets	Rs. 20,43,52,205
7	Total Liabilities	Rs. 19,43,52,205
8	Investments	Nil
9	Turnover	Rs.9,18,22,773
10	Profit/ (Loss) before Taxation	(Rs.3,81,39,024)
11	Provision for taxation	Rs.2,35,427
12	Profit/ (Loss) after Taxation	(Rs.3,83,74,451)
13	Proposed Dividend	Nil
14	% of shareholding	100%

- Olive & Twist Hospitality Private Limited incorporated on 25th February 2019, with a view to carry on **Elite Catering, Convention Centers, Event Management, Cloud Kitchen and Business Centers.**
- Owned by Sindoori Reddy, the woman behind Apollo Sindoori Hospitality and her business partner Sameer Sethi.
- **Sketch is the name of an outdoor catering company that is one of many brands under Apollo Sindoori Hospitality.**
- First cloud kitchen opened in June 2019. **They cater to three brands**
  - **Curry on Fire** by Sketch (with Chinese, Thai and other Asian cuisines),
  - **Mirchi Bazaar** by Sketch (offering north Indian food) and
  - **South Market** by Sketch (south Indian food)
- **Canvas by Sketch**, a cafe in Alwarpet, blatantly targeted at millennials and Gen Z, this cafe is the more clear reflection of the young energy that the group as a whole is trying to put out.
- A co-working space called **One Vibe** (<http://www.1vibe.in/>), above the café in Alwarpet.

Source: Company Disclosures

# Journey so far..



Source: Company Disclosures

# SWOT Analysis



## Strengths

- Experience of 30 years in the industry, risk is less as it is a related party of AHEL with the same management.
- Contracts with healthcare giants such as Apollo Hospitals (AHEL)
- JV with Faber Medi-Serve SDN BHD (FMS)



## Weaknesses

- Client concentration and nature of business
- Related party transaction & increase in receivables from AHEL



## Opportunities

- Incorporation of new subsidiary Olive and Twist has opened doors for Elite Catering and Event Management
- Scope of expanding to more states in India
- Massive opportunity size & tailwind to grow by expanding to non-apollo group.



## Threats

- Intense competition from segmented and unorganised players in the industry
- Hospitality industry is highly dependant on discretionary income

# Investment Thesis

A decade back eating out and going on a vacation had not been a prominent feature in an Indian's life but over the years, due to changing consumption pattern, eating out has gained momentum. This changing pattern has ensured constant growth for the Indian Food Services market.

Despite of social distancing , the food and restaurant industry is booming because Indians love to socialize. While the lockdown was difficult for the food and catering industry to bear, the industry would reemerge again with zeal.

**With a prospering economy and a vibrant population of 1.3 billion people, a larger workforce and greater employment generation in the liberalized economy is another factor which has contributed to higher discretionary spending in hospitality services. Thus the interplay of these factors is anticipated to sustain the industry's growth momentum in the foreseeable future.**

**As far as Indian Food Services is concerned, it is attracting significant interest from domestic as well as international private equity and venture capital funds.** The large number of investments can be attributed to the fact that the market is a domestic consumption driven story with great growth potential. In fact, private equity investments are seen flowing through the entire ecosystem, funnelling growth in front-end companies, back-end companies, food-tech companies etc. **Eg, Growth of Food delivery platforms like Swiggy, Zomato etc**

Moreover, with employers starting to look at employee dining as a **tool to attract and retain talent**, competing for the best and brightest employees and retaining them over a period by offering them tempting food perks, which create an instant attraction and experience that binds the employee to the place, are the factors that have led to the increasing demand for catering services in India.

**The investment thesis is based on the following:**

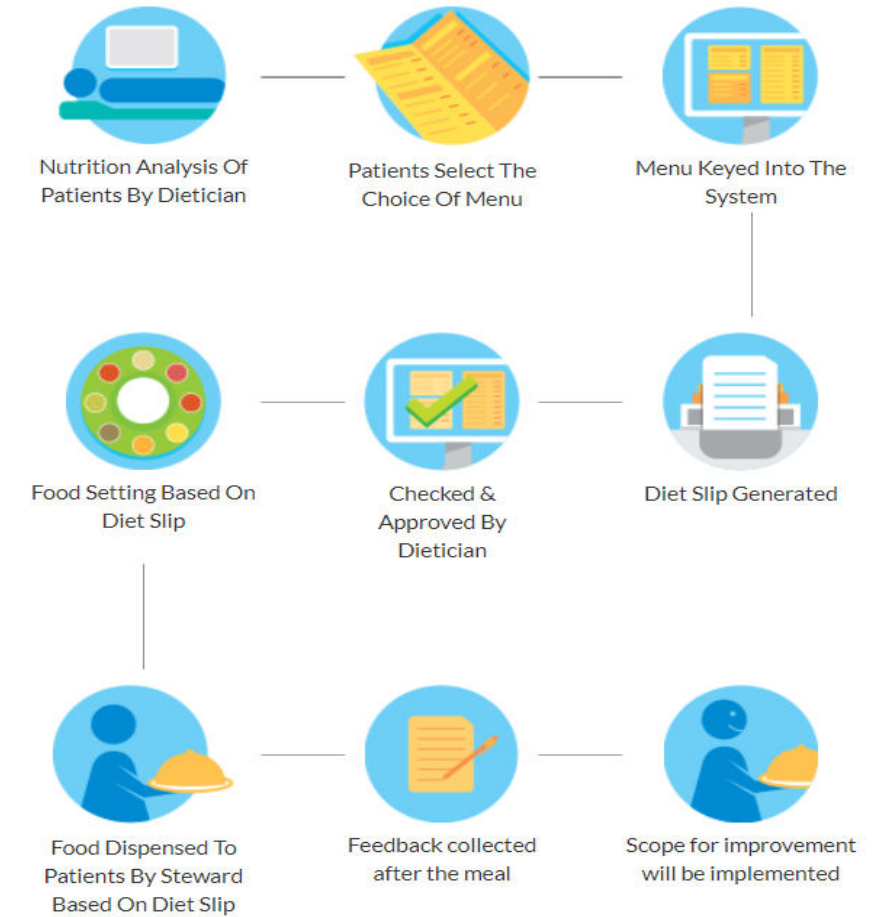
- **Apollo Sindoori oversees the entire food flow and storage process, ensuring consistency and quality.**
- **The business has a wide geographical presence in India, with operations in nine states.**
- **It has built a full ecosystem that includes everything from catering to manpower services.**

# A. End-to-end Management of services

## Food Flow



## Hospital Diet Process



Source: Company Disclosures

## B. PAN India Presence

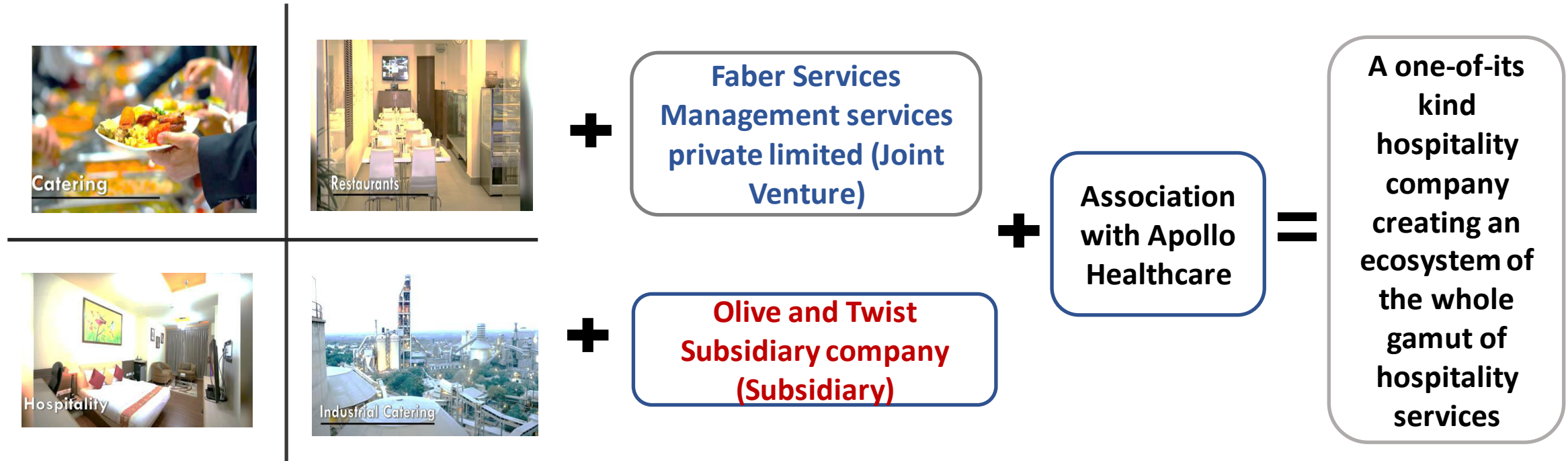


The company has extended its geographical reach from Chennai to Bengaluru to more and more states over the last few years and has future plans to serve many other states in upcoming years.

Bengaluru  
 Chennai  
 Hyderabad  
 Ahmedabad  
 Kolkata  
 Madurai  
 Vishakhapatnam  
 Mumbai  
 Nashik

30 years of Experience | 9 States | 60 Units | 4500+ Trained Manpower

## C. An Ecosystem of Hospitality Management

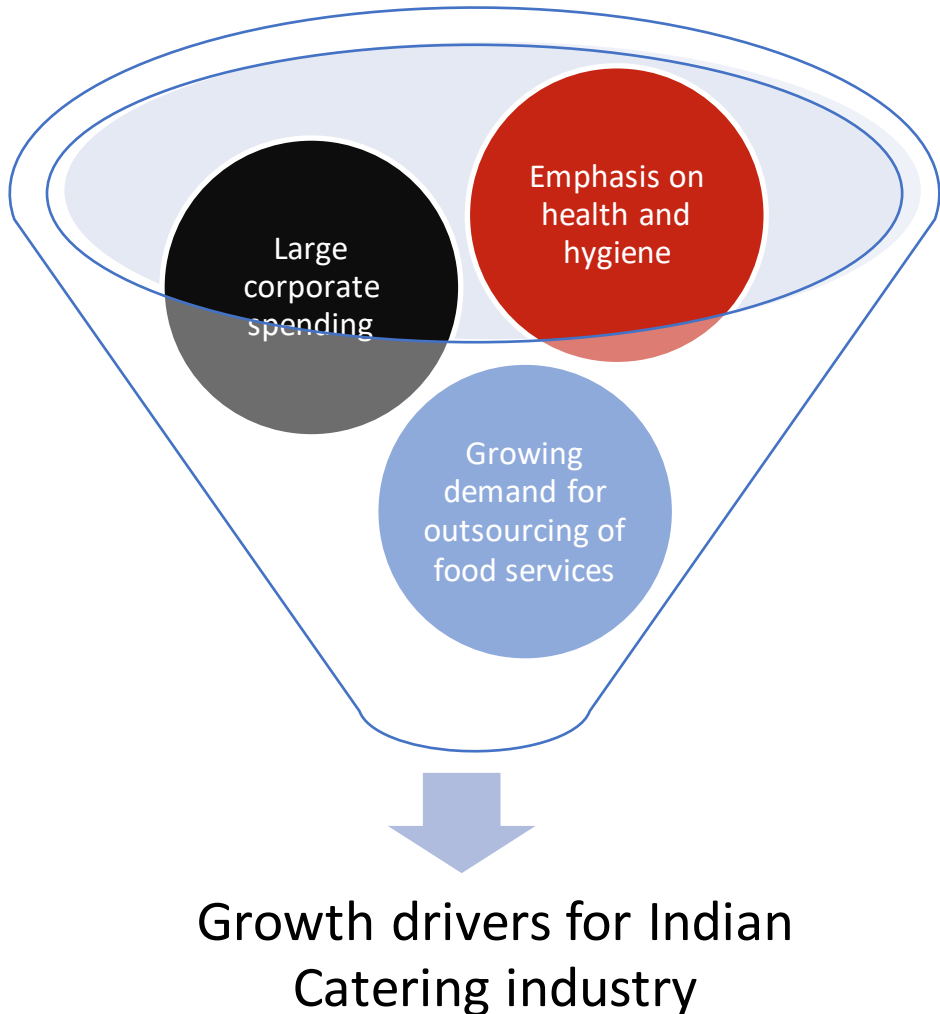


- ✓ The company is working on implementation of innovation in the marketing efforts which will be instrumental in delivering the sales growth during the year.
- ✓ In the previous year, process improvement initiatives in the IT department and the consolidation of sales and distribution activities in existing geographies were undertaken.
- ✓ The major work plan for the upcoming year is to further invest in the organizational capacity and capability of the business and to explore elite catering and event management with the incorporation of the new subsidiary of Olive and Twist.

Source: Company Disclosures



# Growth Drivers



## Market Size and Emerging Trends

In the fastest growing regions, like APAC, developing countries, such as India (currently growing at a CAGR of 15 percent), catering services have a highly fragmented market and a very high demand from buyers for organized catering.

### CATERING TRENDS

- Adoption of healthy eating
- Increasing outsourcing levels
- Adoption of local foods
- Sustainable Practices
- Adoption of subsidized contracts













### NEW TECHNOLOGY AND FUTURE TRENDS

- Employee Benefit: Outside fine dining
- Food Vending Machines
- Online Ordering, Mobile Payments

# Diversified Clientele

 STERLITE INDUSTRIES (I) LTD, TUTICORIN	 APOLLO HOSPITALS TAMILNADU	 BGS INTERNATIONAL SCHOOL BANGALORE	 I-AIM HOSPITAL BANGALORE
 APOLLO HOSPITALS ANDHRA PRADESH	 MVJ MEDICAL COLLEGE BANGALORE	 APOLLO HOSPITALS WEST BENGAL	 APOLLO HOSPITALS KARNATAKA
 CAUVERY HOSPITAL MYSORE	 NAVODHAYA MEDICAL COLLEGE RAICHUR	 INSTITUTE OF NEURO SCIENCE KOLKATTA	 APOLLO FIRST MED HOSPITALS CHENNAI

Apollo Sindoori's clients include hospitals, corporates, and schools, reducing the concentration of clients from a single industry.

 APOLLO HOSPITALS MAHARASHTRA	 APOLLO CRADLE BANGALORE	 TATA MEDICAL CENTER KOLKATTA	 APOLLO HOSPITALS GUJARAT
 COSTAL ENERGEN TUTICORIN	 SJBIT BANGALORE	 SVP HOSPITAL AHMEDABAD	 KD HOSPITAL AHMEDABAD
 KAMAKSHI MEMORIAL HOSPITALS CHENNAI	 HINDUSTAN AERONAUTICS LIMITED BANGALORE	 B.M. BIRLA HEART RESEARCH CENTRE KOLKATA	 WIPRO LIMITED CHENNAI

The company has simultaneously added new non Apollo clients like BM Birla, HAL, SVP Ahmedabad to gain market share and boost sales.

# Unique business model caters to wide industry sectors

The hospitality sector in India is dynamic and emerging. It holds greater potential to grow for both the national and international players who are interested to enter the Nation's hospitality industry.

The industry is divided into large organized players and small unorganized players.

Large organized players such as Oberoi Hotels & Resorts, The Park Hotel, ITC Hotels, Lemon Tree Hotels, Taj exist in the market.

However, since these are very expensive and only serve a small segment of the population, various unorganised players offering a range of services cater to the needs of various population segments.

**Apollo Sindoori has a unique business model that covers a wide variety of hospitality industry sectors since it not only operates in the hotel sector but also provides food and manpower services.**

Food care for hospital patients is an important part of the recovery process for patients. At the same time it's a non-core business for the doctor fraternity. This is where the company steps in. A patient recovering from a setback needs up to 12 small doses of food at certain intervals from sunrise to midnight, which is taken care by this company. Apart from hospital business, the company is also into corporate catering, managing kitchens in factories of Hindustan Aeronautics and Vedanta group.

Market concentration

Consolidated players



Hospitality industry in India

Highly competitive

Source: Company Disclosures

# Financial & Business Analysis

	Mar 16	Mar 17	Mar 18	Mar 19	Mar 20	June 20	Sept 20	Dec 20
Total Revenue (INR Cr.)	187.2	133	140.9	168.5	198.7	35.8	43.2	44.65
Operating Profit (INR Cr.)	7.8	11.3	9.6	11	8.1	-0.16	2.15	0.52
Operating Profit Margins (%)	4.17%	8.5%	6.81%	6.53%	4.08%	-0.44%	4.98%	1.16%
Net Profit (INR Cr.)	1	12.1	15.2	20.6	15.3	1.03	2.7	2.4
Net Profit Margins (%)	0.53%	9.09%	10.78%	12.22%	7.7%	2.87%	6.25%	5.37%

- As can be seen, despite the slowdown in the economy, the company's revenues increased to 198.7 crores in FY20, demonstrating strong revenue generation capacity and resilience in the face of market downturns.
- The Cash flow from operations has also increased to 22 crores from 21 crores and 18 crores in FY 19 and FY 18 respectively, which is a positive sign.
- The total debt to equity ratio is 0.13 while the current ratio is healthy at 2.26 times as on March 31, 2020.
- The three-year median payout ratio for Apollo Sindoori Hotels is 3.8 percent, indicating that it is holding a higher percentage (96 percent) of its earnings. This indicates that the company's management is reinvesting the majority of profits to expand the business, as illustrated by the company's growth. Furthermore, Apollo Sindoori Hotels is committed to continuing to share its earnings with shareholders, as shown by its six-year dividend history.
- **The ROE of Apollo Sindoori Hotels is higher than the industry average of 9.3 percent which is interesting.** Apollo Sindoori Hotels has a remarkable net income growth of 24 percent over the last five years.

Source: Company Disclosures

# Profit Converted into Cash Flow

## Profit & Loss

Consolidated Figures in Rs. Crores

	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020
Sales +	141	186	133	140	165	193
Expenses +	133	178	121	130	153	185
Operating Profit	8	8	12	10	11	8
OPM %	6%	4%	9%	7%	7%	4%
Other Income	1	-4	6	10	14	15
Interest	1	1	1	1	0	2
Depreciation	1	1	1	1	1	3
Profit before tax	7	2	16	18	24	19
Tax %	35%	52%	23%	18%	15%	17%
Net Profit	4	1	12	15	21	15
EPS in Rs	17.00	3.73	46.58	58.50	79.06	58.91
Dividend Payout %	9%	40%	3%	4%	4%	3%

- Net profit during last 6 years was 86 Cr Vs Cash from Operating Activities in last 6 years were 78 Cr → **This clearly shows that profit is converted into cash with low receivable or inventory.**
- Other Income – Gradually increasing over the period and it is around 15 Cr which is nothing but the income of **approx. 10 Cr from Faber Sindoori JV** (49% profit share of Apollo Sindoori) and approx. 5 Cr from Bank interest, Provision written back, Co-workstation Services etc.
- FY20 EPS was around 59, considering this stock is actually trading at a PE of ~ 10 Vs Industry PE of 67.**

- Net cash flow in FY20 has decreased to 4 Cr, this is due to purchase of fixed assets (gross block increased) leading to a cash outflow of 11.25 Cr Vs 2.23 Cr in FY19.
- Company has done borrowings of 4.7 Cr in FY20 to meet financing needs to purchase fixed assets.
- FY20 Profit from operations was 21.58 Cr Vs 24.80 in FY19, another reason for decreasing net cash flow.

## Cash Flows

Consolidated Figures in Rs. Crores

	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020
Cash from Operating Activity +	3	6	8	18	21	22
Cash from Investing Activity +	-4	-4	-9	-10	-13	-21
Cash from Financing Activity +	-1	0	-0	-1	-1	2
Net Cash Flow	-2	2	-1	7	7	4

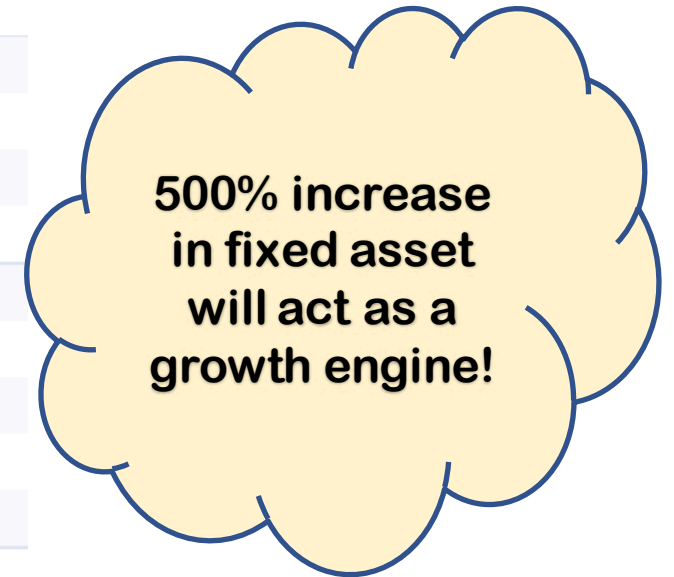
Source: Screener.in

# Fixed Assets increased 500% in FY20

## Balance Sheet

Consolidated Figures in Rs. Crores

	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020
Share Capital +	1	1	1	1	1	1
Reserves	24	24	31	46	66	78
Borrowings	4	3	7	1	0	26
Other Liabilities +	23	34	25	29	34	42
<b>Total Liabilities</b>	<b>52</b>	<b>63</b>	<b>64</b>	<b>77</b>	<b>102</b>	<b>147</b>
Fixed Assets +	5	6	4	4	5	30
CWIP	0	0	0	0	0	0
Investments	0	0	13	22	33	41
Other Assets +	47	57	47	52	64	76
<b>Total Assets</b>	<b>52</b>	<b>63</b>	<b>64</b>	<b>77</b>	<b>102</b>	<b>147</b>



- During FY20, Reserves have increased; however, the borrowings have also increased in the recent year.
- Apart from fixed assets, everything else is within the range. Fixed assets has gone up from 5 Cr in FY19 to 30 Cr in FY20. In FY20, company has invested heavily in **“Electrical Installations (1.4 Cr), Furniture & Fittings (4.91 Cr), Kitchen Equipment (2.38 Cr), Vehicles (1.07 Cr) etc.**, also the right of use of assets has been added in the balance sheet, which refers to the amount recognized by a lessee on its balance sheet that represents its right to use an asset under a lease contract. So, the company has invested in fixed assets and also taken lease for expanding operations of business.

Source: Screener.in

# Strong Leadership

Apollo Sindoori's *mission* is to create a special niche in the hospitality segment, through product innovation and to provide consistent quality services to achieve customer satisfaction.

While the company's *vision* is to build a fast growing, efficient, and a world-class service company, utilizing the location advantage to become the market leader in providing quality Services for the corporate and individuals.



Mr. G. Venkatraman  
Chairman

He holds a bachelor's degree in economics and a master's degree in law from the University of Bombay, as well as is a Qualified Associate of the Indian Institute of Bankers (CAIB). He was the Chief General Manager of IDBI Bank until his retirement. His financial experience assists the Organization in assessing its activities and earnings.



Ms. Sucharitha Reddy  
Managing Director

Mrs. Sucharitha Reddy has over three decades of experience in the hospital sector, and during her tenure, the company has made tremendous progress in terms of market development, operations, and profitability.



Ms. Sindoori Reddy  
Director

Mrs. Sindoori Reddy is a non-executive director who graduated from Pepperdine University with a bachelor's degree in international business and finance. She previously acted as the Company's Joint Managing Director and was therefore very beneficial in terms of promotion, new client acquisition, pricing, and operations review.

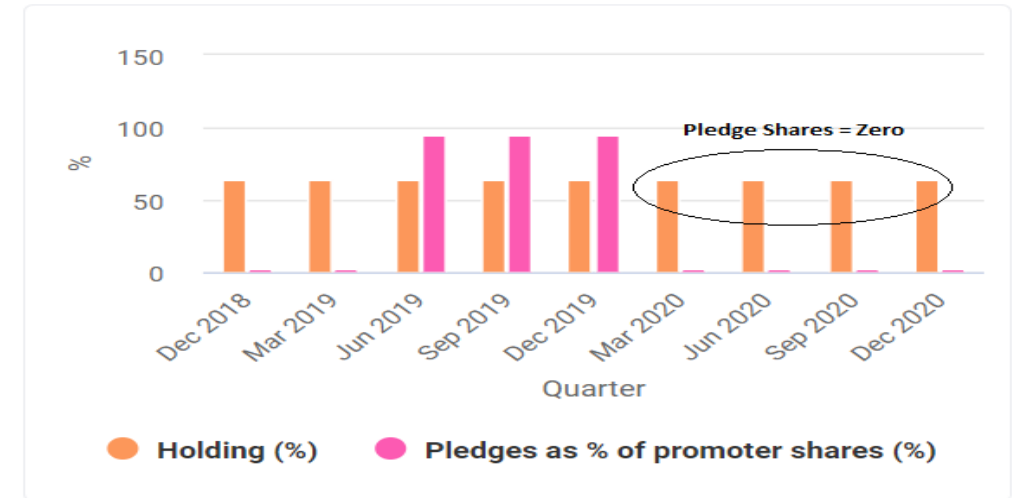
Source: Company Disclosures

# Shareholding Pattern – Low free float

## ▪ Promoter Pledge Issue - Resolved

During Oct 2019, promoters of Apollo Sindoori pledged 95.50% of their shareholding to HDFC Ltd for a loan of 200 Cr to meet the fund requirement of promoter & promoter's own entities. Such activities by promoters are not considered favorable for minority shareholder but during Mar'20 they have unpledged all the shares and right now promoter pledge is zero.

HISTORICAL PROMOTOR HOLDING



QUARTER	NAME	TOTAL NO. SHARES HELD	PERCENT HOLDING
Dec 2020	Individual Shareholders Holding Nominal Share Capital In Excess Of Rs. 2 Lakhs.	108,396	4.17%
Dec 2020	Individual Shareholders Holding Nominal Share Capital Up To Rs. 2 Lakhs.	454,441	17.48%

## ▪ Free Float ~ 4.5 Lacs shares

- Promoters = 64.68%, Public = 35.33%, Total Shares 26 Lacs out of which approx. 4.5 lacs share are in the hand of retail investors. Free float is limited hence the liquidity issue will always remain there in these micro cap stock.
- Some of the individual investors holding this stock are
  - Aditya Deorah - 2.52% & Vijayalakshmi S - 1.65%
  - **Anmol Sekhri - 1.28% & Anmol Sekhri Consultants - 1.51% (Dalal Street veteran with over 45 years experience & mastered the art of picking big compounders.)**



# Technical Chart – Strong Momentum



- **Strong Momentum:** Price above short, medium and long term moving averages.
- **Sideways consolidation** is taking place since last 12 months, breakout above 710 will push the stock higher.
- **Accumulation going on:** Stock trading around 200 DMA since last 7 months shows that stock is accumulated. Delivery % around 60-80%.

# Risks and Concerns

- **Regulations and compliances**

Due to the need to comply with various regulations such as FSSA, APMC, and other local regulators, the food industry faces unfair competition from unorganised retail, as the cost of compliance contributes to the low margins.

- **Geographical, segmental and customer concentration**

The company operates hotels in Chennai and Bengaluru and has major contracts with Apollo hospitals, resulting in geographic and client concentration. Furthermore, the food and beverage segment accounts for approximately 67 percent of sales, which should be decreased and attempts made to raise revenue from other segments.

- **Supply chain risk**

The hospitality industry relies heavily on supply chain efficiencies, but Apollo Sindoori mitigates this risk to a large extent by having purchasing agreements with reputable and well-known brands, as well as by having its own warehouses and infrastructure for storage facilities.

- **Changing industry Trends**

The hospitality industry is evolving as a result of a massive change in decision-making and purchasing power around the world. It will be difficult for the company to introduce new ways to raise sales and respond to customer demands as lifestyle preferences change and more consumers concentrate on healthier diets and takeaways.

- **Competition**

The hospitality industry in India is highly competitive and Apollo Sindoori faces competition from other small unorganized companies.

# Future Outlook

- The company provides food and beverages and housekeeping services to many major hospital chains across India. The group used to derive 90 per cent of its revenues from the Apollo Hospital business and is now targeting 40 per cent from non-Apollo clients. **The stock P/E is around 10 on FY20 earnings as compared to industry P/E of 67.**
- We have picked Apollo Sindoori Hotels with a long term perspective of minimum 2-3 years. **This is a micro cap stock with low liquidity and suitable for those who are ready to hold them for longer duration.**
- Apollo Sindoori Hotels (M cap 150 Cr) belongs to Dr. Prathap C Reddy family group who are also the promoters of Apollo Hospitals Enterprise Ltd (M cap 45,000 Cr). **Risk of corporate governance & risk of survival can be ruled out.**
- This stock is currently trading around Rs 576 with 52 Week high of 705 & low of 390. The reason behind recommending this stock is that this company is owned by a big reputed group. **Company has increased fixed asset by 500% hence we are expecting this to reflect in topline & bottom-line over the period.**
- This stock has not been discussed anywhere and people are not aware about this stock, **no analyst reports are available on this company.** It has four verticals where it draws income from. This company has a team of around 1300 people. The Apollo Group MD is a Director in this company which lends more confidence.
- The fundamentals of this company are also very strong. **It gave descent results during last 12 months despite the lockdown in place.**
- The stock is currently available at a FY20 PE multiple of 10. The return on capital is 24% while the return on equity is around 21%. It has a short term debt around Rs 26 cr. This stock has achieved a lifetime high of Rs 1200 in 2018, when the mid cap rally was on its peak.
- While the stock is available at attractive valuations, there is a lot of value in the businesses. **We expect 12 months target of 1200+ in this counter.**
- **So, in short, company management has to sharpen its focus, further streamline their operations, improve RoE and improve growth and definitely the company will be multibagger in future.**

# Statutory Disclosure

## SEBI Research Analyst Registration No. : INH200006451

1. At the time of writing this article, the analyst have no position in the stock covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
5. The research analyst or its associates has not managed or co-managed public offering of securities, has not received any compensation for investment banking or merchant banking or brokerage services nor received any third party compensation. The subject company was not a client during twelve months preceding the date of distribution of the research report.
6. The research analyst has not served as an officer, director or employee of the subject company.
7. The research analyst or research entity has not been engaged in market making activity for the subject company.
8. The research analyst or research entity or its associates or relatives does not have actual/beneficial ownership of one per cent or more in the securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.
9. The analyst does not own more than 1% equity in the said company.