

Max Healthcare

Estimate change 

TP change 

Rating change 

CMP: INR1,061

TP: INR1,300 (+22%)

Buy

Volume and realization drive earnings

Addition of Thane is a new growth driver

Bloomberg	MAXHEALT IN
Equity Shares (m)	972
M.Cap.(INRb)/(USD\$b)	1031.7 / 11.9
52-Week Range (INR)	1228 / 706
1, 6, 12 Rel. Per (%)	-5/21/28
12M Avg Val (INR M)	2120

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	86.9	107.4	121.8
EBITDA	23.1	29.0	33.1
Adj. PAT	15.0	20.2	24.0
EBIT Margin (%)	22.0	22.8	23.4
Cons. Adj. EPS (INR)	15.4	20.9	24.7
EPS Gr. (%)	12.4	35.1	18.5
BV/Sh. (INR)	110.1	131.0	155.7

Ratios

Net D:E	(0.0)	(0.2)	(0.3)
RoE (%)	15.0	17.3	17.3
RoCE (%)	13.9	16.5	17.0
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	68.5	50.7	42.8
EV/EBITDA (x)	44.2	34.5	29.5
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.3	1.9	2.2
EV/Sales (x)	11.8	9.3	8.0

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	23.7	23.7	23.8
DII	15.6	15.1	11.6
FII	56.9	57.3	60.7
Others	3.8	3.8	4.0

FII Includes depository receipts

- Max Healthcare (MAXH) delivered a better-than-expected performance for the quarter. Despite 3Q being typically a soft quarter due to the festival period, the EBITDA from the existing hospitals has been stable QoQ, largely due to steady demand and better operating efficiency. Further, MAXH continues to deliver steady progress in newer units as well.
- We raise our earnings estimate by 3%/5%/3% for FY25/FY26/FY27 factoring in: 1) a faster scale-up in acquired hospitals, b) consistent improvement in case mix across existing hospitals, and c) the addition of beds at newer hospitals. We value MAXH on an SoTP basis (premised on 35x 12M forward EV/EBITDA, 30x 12M forward EV/EBITDA for Maxlab, and 10x EV/sales for Max@home) to arrive at our TP of INR1,300.
- We remain positive on MAXH on the back of: 1) superior execution of its operational centers and b) a robust plan to sustain growth momentum through bed additions. Notably, MAXH would have the maximum expansion of beds through brownfield expansion, implying the scope of achieving a faster EBITDA break-even. **Reiterate BUY.**

Records 7% ARPOB/9% IP volume growth at existing centers; scale-up of newer centers drives EBITDA on a YoY basis

- For 3QFY25, MAXH's network revenue (including the Trust business) grew 34.9% YoY to INR22.7b (our est. INR21.2b).
- EBITDA margin contracted 45bp YoY to 27.2% (our est. 26.0%) owing to higher other expenses (+390bp YoY as a % of revenue), offset by lower employee expenses (-470bp YoY as a % of revenue).
- EBITDA grew 32.7% YoY to INR6.2b (our est. INR 5.5b) driven by revenue.
- Adjusted PAT grew 16.5% YoY to INR4b (our est. INR3.7b), led by other income, offset by higher interest and depreciation expense.
- EBITDA per bed (annualized) stood at INR7.3m (-4% YoY and -2% QoQ)
- Lucknow hospital revenue/EBITDA margin stood at INR930m/33%. Nagpur Hospital's revenue/EBITDA margin stood at INR540m/20% for the quarter.
- Max Dwarka, a 303-bed greenfield hospital launched on 2nd Jul'24, reported an EBITDA breakeven in Dec'24.
- Revenue/EBITDA/PAT for 9MFY25 grew 26%/22%/8% to INR63.2b/INR16.8/INR10.8b.

Highlights from the management commentary

- Max Dwarka recorded INR590m revenue and a loss of INR50m in 3QFY25. It achieved breakeven within six months of launch in Dec'24.
- MAXH plans to commission its 500-bed "built-to-suit" Thane hospital by CY28, with an investment of INR3m per bed. ARPOB is expected at INR80-85K, with a 15-year lease agreement.
- Max Lucknow added 128 beds, with 64 commissioned in Jan'25 and the rest in Feb'25. Further, the company plans to add another 140 beds in FY26.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Max Healthcare Institute

Consolidated - Quarterly Earnings Model

(INRm)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	% var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		3QE		
Gross Sales	16,220	17,190	16,820	17,910	19,310	21,190	22,690	23,667	68,150	86,857	21,193	7.1
YoY Change (%)	16.7	16.8	14.9	15.6	19.1	23.3	34.9	32.1	16.0	27.4	26.0	
Total Expenditure	11,930	12,350	12,170	12,970	14,370	15,520	16,520	17,343	49,420	63,753	15,683	
EBITDA	4,290	4,840	4,650	4,940	4,940	5,670	6,170	6,324	18,730	23,104	5,510	12.0
Margins (%)	26.4	28.2	27.6	27.6	25.6	26.8	27.2	26.7	27.5	26.6	26.0	
Depreciation	640	660	700	840	900	970	1,060	1,035	2,840	3,965	980	
Interest	-30	-170	-140	-40	80	50	350	236	-380	716	30	
Other Income	70	130	60	90	40	60	110	94	350	304	80	
PBT before EO expense	3,750	4,480	4,150	4,230	4,000	4,710	4,870	5,147	16,620	18,727	4,580	
Extra-Ord expense	190	190	40	250	190	270	1,000	0	670	1,460	0	
PBT	3,560	4,290	4,110	3,980	3,810	4,440	3,870	5,147	15,950	17,267	4,580	
Tax	660	910	730	870	870	950	710	923	3,160	3,453	870	
Rate (%)	18.5	21.2	17.8	21.9	22.8	21.4	18.3	17.9	19.8	20.0	19.0	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	2,900	3,380	3,380	3,110	2,940	3,490	3,160	4,223	12,790	13,813	3,710	
Adj PAT	3,055	3,530	3,413	3,319	3,087	3,702	3,977	4,223	13,316	14,972	3,710	7.2
YoY Change (%)	28.3	24.5	20.3	4.6	1.0	4.9	16.5	27.2	18.6	12.4	8.7	
Margins (%)	18.8	20.5	20.3	18.5	16.0	17.5	17.5	17.8	19.5	17.2	17.5	
EPS	3.2	3.6	3.5	3.4	3.2	3.8	4.1	4.4	13.7	15.4	3.8	

E: MOFSL Estimates



Conference call highlights

- MAXH plans to add 115 beds at its Nagpur facility, with project completion expected in the next 24 months. Currently, RoCE stands at 10-11%, with a target of 25%.
- 268 beds at Max Nanavati are scheduled to be completed by end-FY25.
- MAXH expects 400-bed Max Smart, Saket, and 155-bed Mohali facilities to be commissioned in 1QFY26.
- By 3QFY26, 300 beds at the Sector 56 Gurgaon hospital are likely to be completed.
- Phase 1 of the 267-bed hospital at Patparganj is projected to be completed by 2QFY26.
- Management expects a delay at the 415-bed Vikrant Saket Hospital owing to the ongoing litigation regarding cutting trees in the eco-sensitive zone without approval. The next set of ~500 beds at the Saket complex would be commercialized by FY28.
- In the next 30 months, 400 beds at Zirakpur, Mohali are expected to be completed. ARPOB is expected to be INR60-65k.
- Capex for 9MFY25 stood at INR7.9b. In the next 3-4 months, Max plans INR5-6b of capex towards brownfield expansion.
- MAXH expects a price increase on the institutional side of the business in the next 2-3 months.
- The company's Net Debt/EBITDA ratio's upper limit is 2.5x, while its current Net Debt/EBITDA stands at 0.7x.

Exhibit 1: ARPOB growth contracted to 1.2% YoY/ 0.3% QoQ

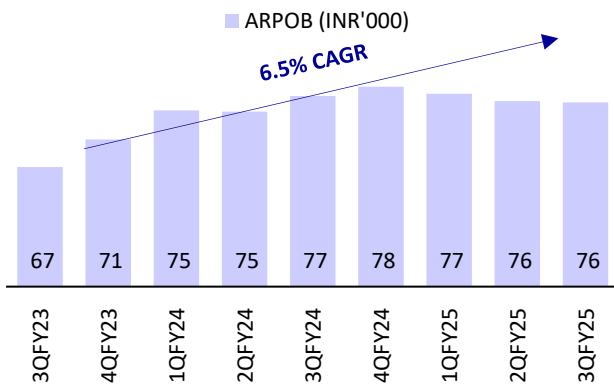


Exhibit 2: Occupancy rate stood at 75% in 3QFY25

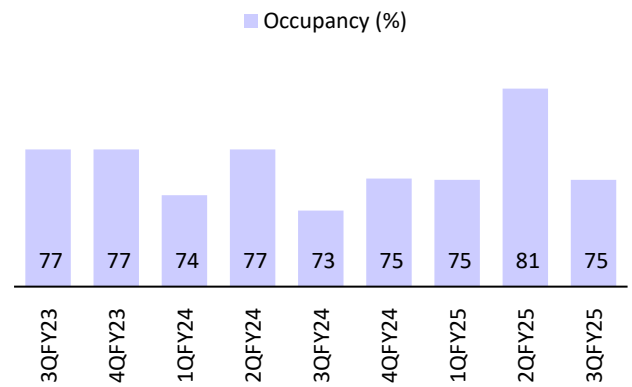
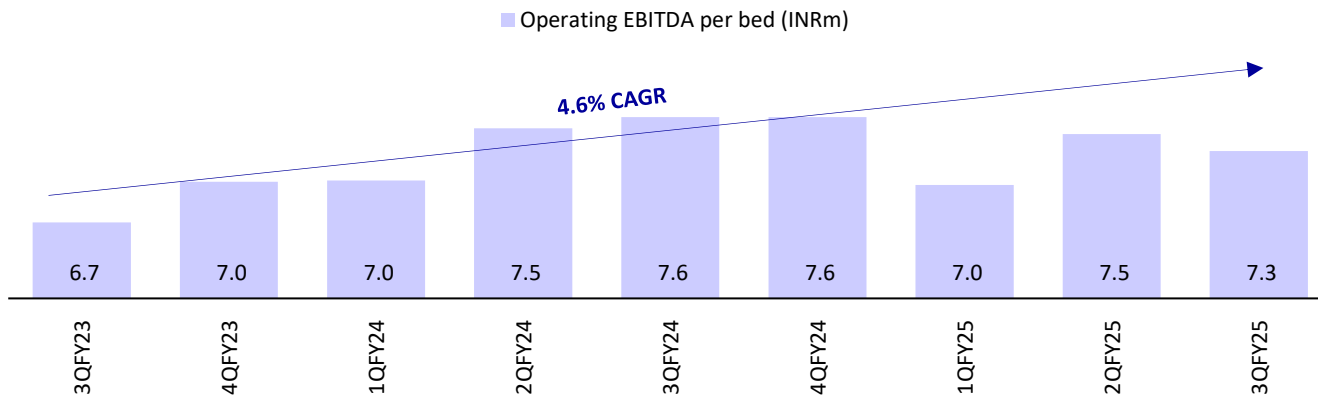


Exhibit 3: Operating EBITDA per bed decreased 3.9% YoY in 3QFY25 due addition of less efficient new hospitals



Source: MOFSL, Company

Efforts underway for a sustainable growth momentum

Plans to substantially increase bed capacity over the next 3-4 years

- In 9MFY25, occupancy came in at 76% (vs. 75% in 9MFY24) despite bed capacity expansion. The occupancy rate has remained robust.
- In 3QFY25, MAXH received Board approval to build a 500-bed hospital in Thane; and also increase the bed capacity at Zirkapur (Mohali) to 400 (vs 250 beds currently)
- In Sep'24, MAXH acquired a 64% stake in Jaypee Hospital, which owns and operates a 500-bed super specialty hospital in Noida, and a 200-bed secondary care hospital in Bulandshahr for INR3.4b.
- MaxH is undertaking capex to add another 2,600 brownfield beds over the next two to three years. Further, MAXH has acquired land parcels with the potential to add 1,000 beds in Gurgaon and ~550 beds in Lucknow.
- Accordingly, we expect the hospital segment to grow due to bed additions and ARPOB growth, leading to a sales CAGR of 17% over FY25-27 to reach INR120b.

Scope to improve patient realization

- In 9MFY25, ARPOB grew 1.3% YoY to INR76.4k. Excluding new centers, the ARPOB grew 6.9% YoY for 9MFY25. ARPOB growth was driven by: a) price revisions, including those in the Institutional (CGHS) segment, b) improved share of oncology in IPD, and c) increased OPD footfalls.
- The payor mix improved with a) the self-pay revenue share improving 7bp YoY to 33.4% of revenue, and b) the insurance share declining 130bp YoY to 37.7%. In contrast, the international patients' share dropped 40bp YoY to 9%.
- We expect the momentum to sustain with a 5% CAGR in ARPOB to INR87.4k over FY25-27.

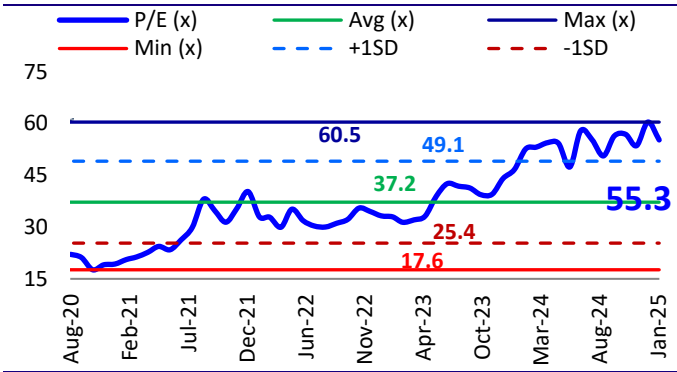
Increased penetration to drive growth in the Diagnostic business

- In 9MFY25, MaxLab's revenue/EBITDA grew 22.9/133% YoY to INR1.3b/INR184m, largely led by an increase in the number of footfalls (+11.4% YoY) and average realization (+9.5% YoY). MaxLab had 1,205 partners at the end of 3QFY25 and has expanded its reach across 48 cities.
- We expect MaxLab revenue to reach INR2.9b at a 24% CAGR over FY25-27.
- Moreover, Max@Home revenue grew 24.6% YoY to INR1.6b in 9MFY25, led by critical care, medical rooms, and physio@home services lines. We expect a 21% revenue CAGR in this segment over FY25-27.

Reiterate BUY

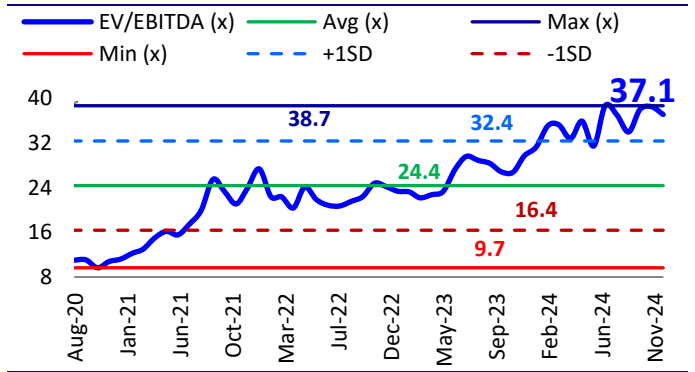
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Exhibit 4: P/E band trend



Source: MOFSL, Company, Bloomberg

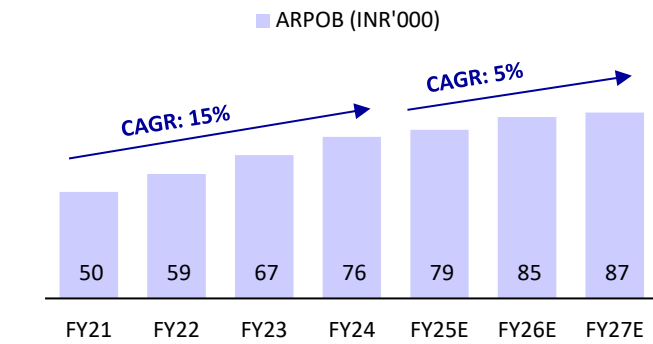
Exhibit 5: EV/EBITDA trend



Source: MOFSL, Company, Bloomberg

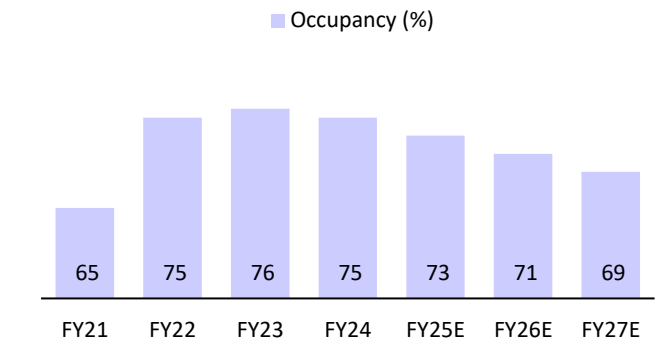
Story in charts

Exhibit 6: Expect 5% CAGR in ARPOB over FY25-27



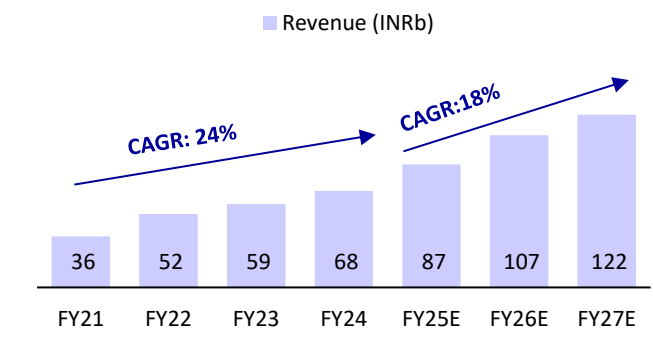
Source: MOFSL, Company

Exhibit 7: Expect occupancy to decline due to bed additions



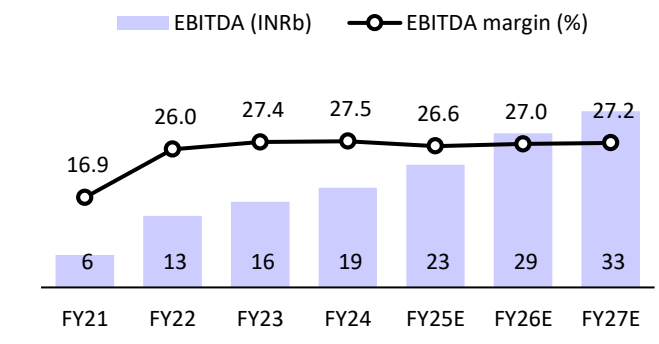
Source: MOFSL, Company

Exhibit 8: Network revenue to see 18% CAGR over FY25-27



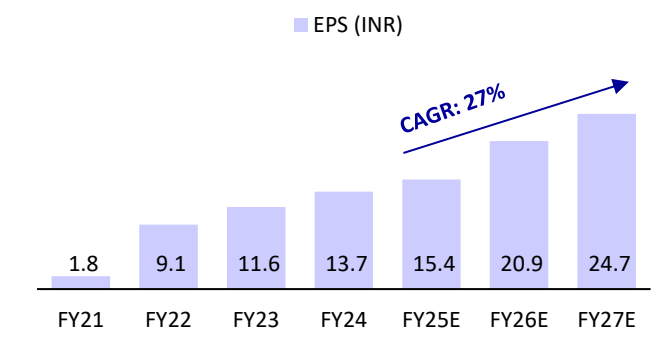
Source: MOFSL, Company

Exhibit 9: Expect EBITDA margin to expand ~60bp to 27.2% over FY25-27



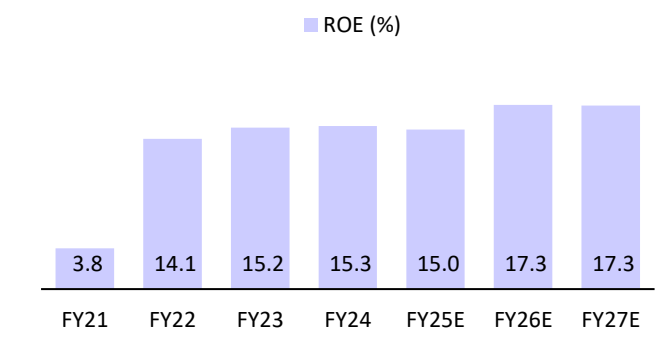
Source: MOFSL, Company

Exhibit 10: EPS to clock 27% CAGR over FY25-27



Source: MOFSL, Company

Exhibit 11: Expect an RoE of ~17% by FY27



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement						(INR m)
Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	51,710	58,750	68,150	86,857	1,07,430	1,21,842
Change (%)	43.6	13.6	16.0	27.4	23.7	13.4
Total Expenditure	38,270	42,680	49,420	63,753	78,434	88,701
% of Sales	74.0	72.6	72.5	73.4	73.0	72.8
EBITDA	13,440	16,070	18,730	23,104	28,995	33,141
Margin (%)	26.0	27.4	27.5	26.6	27.0	27.2
Depreciation	2,480	2,600	2,840	3,965	4,518	4,602
EBIT	10,960	13,470	15,890	19,139	24,478	28,539
Int. and Finance Charges	1,120	390	-380	716	356	95
Other Income	470	290	350	304	698	792
PBT bef. EO Exp.	10,310	13,370	16,620	18,727	24,820	29,236
EO Items	-500	-390	-670	-1,460	0	0
PBT after EO Exp.	9,810	12,980	15,950	17,267	24,820	29,236
Total Tax	1,430	-300	3,160	3,453	4,592	5,263
Tax Rate (%)	14.6	-2.3	19.8	20.0	18.5	18.0
Minority Interest	0	0	0	0	0	0
Reported PAT	8,380	13,280	12,790	13,813	20,229	23,974
Adjusted PAT	8,807	11,226	13,316	14,972	20,229	23,974
Change (%)	401.8	27.5	18.6	12.4	35.1	18.5
Margin (%)	17.0	19.1	19.5	17.2	18.8	19.7

Consolidated - Balance Sheet						(INR m)
Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	9,696	9,696	9,696	9,696	9,696	9,696
Total Reserves	57,484	71,004	83,254	97,067	1,17,296	1,41,270
Net Worth	67,180	80,700	92,950	1,06,763	1,26,992	1,50,966
Minority Interest	0	0	0	0	0	0
Total Loans	9,180	6,820	11,770	12,110	2,110	2,110
Deferred Tax Liabilities	1,850	-500	370	370	370	370
Capital Employed	78,210	87,020	1,05,090	1,19,243	1,29,472	1,53,446
Gross Block	37,100	39,210	57,290	65,886	72,355	78,849
Less: Accum. Deprn.	2,480	2,600	5,440	9,405	13,923	18,524
Net Fixed Assets	34,620	36,610	51,850	56,481	58,433	60,325
Goodwill on Consolidation	37,730	37,730	42,670	42,670	42,670	42,670
Intangibles	6,880	6,810	7,370	7,370	7,370	7,370
Capital WIP	0	0	7,620	4,024	4,055	4,061
Total Investments	20	20	660	660	660	660
Curr. Assets, Loans&Adv.	17,192	22,997	20,776	33,487	47,697	73,948
Inventory	830	1,040	1,060	1,310	1,612	1,823
Account Receivables	4,533	4,340	6,000	6,663	8,241	9,347
Cash and Bank Balance	6,150	15,650	12,860	15,975	26,046	49,398
Loans and Advances	5,679	1,967	856	9,539	11,798	13,381
Curr. Liability & Prov.	18,233	17,147	25,856	25,448	31,413	35,588
Account Payables	5,667	6,438	10,170	9,617	11,832	13,381
Other Current Liabilities	8,369	5,940	10,155	8,782	10,862	12,319
Provisions	4,197	4,768	5,531	7,049	8,719	9,889
Net Current Assets	-1,040	5,850	-5,080	8,038	16,284	38,360
Appl. of Funds	78,210	87,020	1,05,090	1,19,243	1,29,472	1,53,446

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)						
Adj. EPS	9.1	11.6	13.7	15.4	20.9	24.7
Cash EPS	11.6	14.3	16.7	19.5	25.5	29.5
BV/Share	69.3	83.2	95.9	110.1	131.0	155.7
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)						
P/E	116.5	91.4	77.0	68.5	50.7	42.8
Cash P/E	90.9	74.2	63.5	54.2	41.4	35.9
P/BV	15.3	12.7	11.0	9.6	8.1	6.8
EV/Sales	19.9	17.3	15.0	11.8	9.3	8.0
EV/EBITDA	76.5	63.3	54.7	44.2	34.5	29.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	4.4	17.8	-3.3	3.3	20.4	23.4
Return Ratios (%)						
RoE	14.1	15.2	15.3	15.0	17.3	17.3
RoCE	13.5	17.2	13.5	13.9	16.5	17.0
RoIC	13.8	19.2	16.4	16.8	20.2	23.6
Working Capital Ratios						
Fixed Asset Turnover (x)	1.4	1.5	1.2	1.3	1.5	1.5
Asset Turnover (x)	0.7	0.7	0.6	0.7	0.8	0.8
Inventory (Days)	6	6	6	6	5	5
Debtor (Days)	32	27	32	28	28	28
Creditor (Days)	40	40	54	40	40	40
Leverage Ratio (x)						
Current Ratio	0.9	1.3	0.8	1.3	1.5	2.1
Interest Cover Ratio	9.8	34.5	-41.8	26.7	68.9	300.6
Net Debt/Equity	0.0	-0.1	0.0	0.0	-0.2	-0.3

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	10,310	13,370	15,950	17,267	24,820	29,236
Depreciation	2,480	2,600	2,840	3,965	4,518	4,602
Interest & Finance Charges	1,120	390	-730	412	-343	-697
Direct Taxes Paid	-1,430	300	-3,160	-3,453	-4,592	-5,263
(Inc)/Dec in WC	-1,300	2,609	8,141	-10,003	1,825	1,276
CF from Operations	11,180	19,269	23,041	8,187	26,229	29,155
CF from Operating incl EO	11,180	19,269	23,041	8,187	26,229	29,155
(Inc)/Dec in FA	-6,880	-1,990	-26,260	-5,000	-6,500	-6,500
Free Cash Flow	4,300	17,279	-3,219	3,187	19,729	22,655
(Pur)/Sale of Investments	0	0	-640	0	0	0
Others	470	290	350	304	698	792
CF from Investments	-6,410	-1,700	-26,550	-4,696	-5,802	-5,708
Issue of Shares	37	0	0	0	0	0
Inc/(Dec) in Debt	-2,100	-2,360	4,950	340	-10,000	0
Interest Paid	-1,120	-390	380	-716	-356	-95
Dividend Paid	0	0	0	0	0	0
CF from Fin. Activity	-3,183	-2,750	5,330	-376	-10,356	-95
Inc/Dec of Cash	1,587	14,819	1,821	3,115	10,072	23,352
Opening Balance	6,660	6,150	15,650	12,860	15,975	26,046
Closing Balance	6,150	15,650	12,860	15,975	26,046	49,398

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

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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