

Max Healthcare Institute Ltd

BUY

Choice

In Q1FY25, Max Healthcare saw a revenue growth of 19.1% YoY and 7.3% QoQ to INR 19,310mn led by ARPOB growth of 3.1% YoY to INR 77,100 and occupancy at 75%. EBITDA saw a growth of 15.2% YoY and de-grew by 1.8% QoQ to INR 4,940mn. EBITDA margin contracted by 87bps YoY and 236bps QoQ to 25.6%. PAT for the quarter grew by 1% YoY and de-grew by 8.6% QoQ to INR 3,087mn.

- Launched Max Dwarka, Delhi:** Max Super Specialty Hospital in South West Delhi (Dwarka) commenced commercial operations with a 303-bed capacity. Operated under an O&M contract with M/s Muthoot Hospital Pvt Ltd, which owns and constructed the facility, this hospital boasts cutting-edge technology, including advanced imaging and surgical robots. The current focus is on expanding its international patient base and expects most TPA and insurance empanelment to be completed by the end of August 2024. Additionally, a stand-alone oncology block with bunkers is under construction, and the hospital anticipates offering radiation therapy to oncology patients by early FY26. Company expects to break-even in this facility within 6-8 months.
- International patients:** International patient revenue during the quarter was INR 1,580 mn, growing 11% YoY and representing 8.3% of the hospital's total revenue. Patient flows were temporarily impacted by political situations and credit risk management actions. The business anticipates that income from international patients will double in the near future, boosting overall performance. The drop in immigration-related business led to a 48% reduction in OPD footfalls. However, this segment does not significantly contribute to inpatient (IPD) conversions. The impact is expected to persist until Q3FY25, with normalcy anticipated from Q4FY25 onward due to visa regulation changes effective January 1st.
- Updates for Lucknow and Nagpur Hospitals:** Both the Lucknow and Nagpur hospitals are performing well. Refurbishment of the existing facility in Lucknow is underway, and the company is finalizing work to operationalize an additional 140 new beds. Management has also received environmental clearance (EC) approval for constructing a new 450-bed block in Lucknow. The company completed the purchase of Nagpur hospital's land from the previous promoter in May 2024. Work has commenced to add approximately 25 beds, 3 operating rooms, and endoscopy and bronchoscopy suites through internal reconfiguration in Nagpur. Additionally, an application has been submitted to the EC for approval of approximately 115 beds on two additional floors. The ARPOB for both facilities stands at approximately INR 44-45k.
- Outlook & Valuation:** Max Healthcare is seen favorably due to several strategic factors. 1) a significant capital expenditure cycle is anticipated to enhance ROCE over the next 3-5 years; 2) a rising proportion of international patients; 3) the company's focus on advanced specializations, such as robotics, and an improved payor mix are expected to drive higher revenue and margins; and 4) Max Healthcare is expanding its bed capacity and experiencing growth from both new and existing facilities, contributing to its positive outlook. We value the stock based on the SOTP methodology to arrive at a price target of INR 964 and recommend a **BUY** rating on the stock.

Quarterly performance

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Net Sales	19,310	16,220	19.1	18,000	7.3
Materials consumed	4,750	4,040	17.6	4,330	9.7
Gross Profit	14,560	12,180	19.5	13,670	6.5
Employee Expenses	3,170	3,330	(4.8)	3,530	(10.2)
Operating Expenses	6,450	4,560	41.4	5,110	26.2
EBITDA	4,940	4,290	15.2	5,030	(1.8)
Depreciation	900	640	40.6	840	7.1
EBIT	4,040	3,650	10.7	4,190	(3.6)
Interest Cost	80	(30)	(366.7)	(40)	(300.0)
Other Income	40	70	(42.9)	90	(55.6)
Exceptional Items	(190)	(190)	-	(340)	(44.1)
PBT	3,810	3,560	7.0	3,980	(4.3)
Tax	870	660	NA	870	-
RPAT	2,940	2,900	1.4	3,110	(5.5)
APAT	3,087	3,055	1.0	3,376	(8.6)
Adj. EPS (Rs)	3.2	3.1	1.0	3.5	(8.6)
Margin Analysis	Q1FY25	Q1FY24	YoY (bps)	Q4FY24	QoQ (bps)
Gross margin %	75.4	75.1	31	75.9	(54)
Employee Exp. % of Sales	16.4	20.5	(411)	19.6	(319)
Other Op. Exp % of Sales	33.4	28.1	529	28.4	501
EBITDA Margin (%)	25.6	26.4	(87)	27.9	(236)
Tax Rate (%)	22.8	18.5	430	21.9	98
APAT Margin (%)	16.0	18.8	(285)	18.8	(277)

Source: Company, CEBPL

Aug 6, 2024	
CMP (Rs)	870
Target Price (Rs)	964
Potential Upside (%)	10.8

Company Info

BB Code	MAXHEALT IN
ISIN	INE027H01010
Face Value (Rs.)	10.0
52 Week High (Rs.)	980
52 Week Low (Rs.)	509
Mkt Cap (Rs bn.)	845.4
Mkt Cap (\$ bn.)	10.1
Shares o/s (Mn.)/F.F(%)	971.8/76
Adj. TTM EPS (Rs)	13.8
FY26E EPS (Rs)	26.1

Shareholding Pattern (%)

	Jun-24	Mar-24	Dec-23
Promoters	23.74	23.75	23.75
FII's	56.99	57.33	60.69
DII's	15.36	14.96	11.55
Public	3.97	3.97	4.01

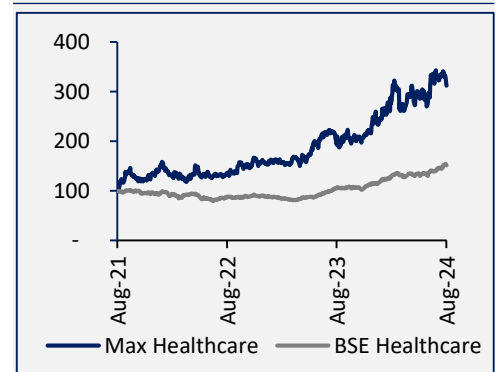
Relative Performance (%)

YTD	3Y	2Y	1Y
BSE HC	51.6	72.8	43.9
Max Healthcare	212.4	131.8	61.3

Year end March (INR bn)

Particular	FY24	FY25E	FY26E
Revenue	68.5	86.7	122.1
Gross Profit	52.1	65.9	92.8
EBITDA	19.1	24.7	35.4
EBITDA (%)	27.8	28.5	29.0
EPS (INR)	14.0	17.5	26.1

Rebased Price Performance



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CEBPL Estimates vs Actual

Particulars (Rs.mn)	Actual	CEBPL Est.	Deviation (%)
Revenue	19,310	18,900	2.2
EBIDTA	4,940	5,141	(3.9)
EBIDTA Margin (%)	25.6	27.2	-162bps
Adj. PAT	3,087	3,405	(9.4)

Source: Company, CEBPL

Changes in Estimates

Income Statement (INR Mn.)	FY25E			FY26E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	86,662	90,102	-3.8	1,22,082	1,23,702	-1.3
EBITDA	24,699	24,958	-1.0	35,404	35,631	-0.6
EBITDA margin(%)	28.5	27.7	80bps	29.0	28.8	20bps
APAT	16,961	17,169	-1.2	25,390	25,598	-0.8
EPS	17.5	17.7	-1.2	26.1	26.3	-0.8

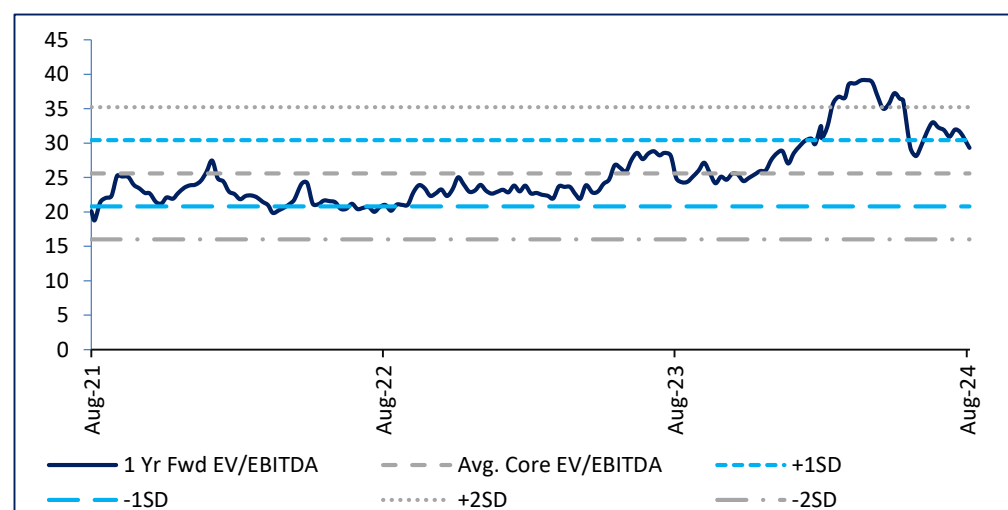
Source: Company, CEBPL

SOTP Valuation

Particulars	Rs. Mn	Allotted Multiple (x)	Value (Rs. Mn)
Max Healthcare Business EBITDA (FY26E) (A)	34,647	26	9,00,822
Max Lab EBITDA (FY26E) (B)	304	15	4,554
Max Home Revenue (FY26E) (B)	2,518	3	7,554
Enterprise Value (A+B)			9,12,930
Less: Net Debt (FY26E) (C)			-23,528
Implied Market Cap			9,36,458
Value per share			964

Source: Company, CEBPL

1 Year Forward EV/EBITDA Band



Source: CEBPL

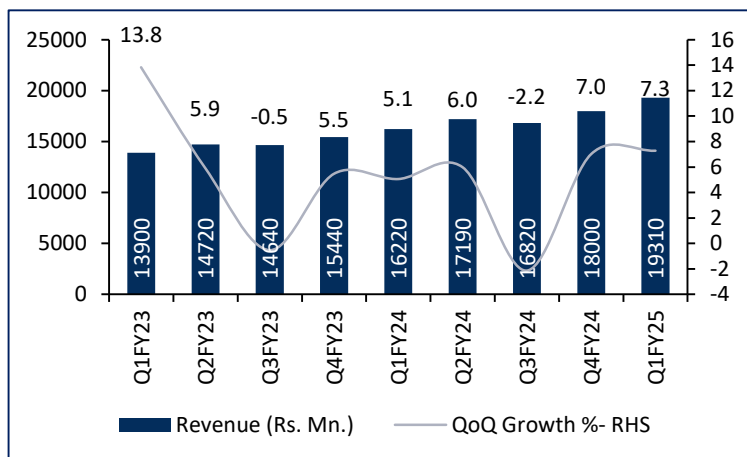
Management Call - Highlights

- The company has announced a 250-bed hospital in Mohali, spanning 2.75 lakh sq ft, with a long-term lease extendable up to 50 years. Expected to be commissioned in FY28, this facility will serve Himachal Pradesh, Punjab, and Haryana, aligning with the asset-light strategy.
- Hospitals in Nagpur and Lucknow are performing well with an average occupancy of 60%. They contributed INR 990 mn to revenue and INR 180 mn to EBITDA, showing increases of 21% and 64% YoY, respectively.
- New hospitals, with an average ARPOB of INR 45,000, are expected to reach INR 60,000 within a year.
- Lucknow hospital, with its high ARPOB business, contributes over 24-25% to overall revenues and is expected to see further ramp-up in ARPOBs and profitability.
- The company expects substantial improvements in FY25 and is infusing equity into the Lucknow subsidiary to reduce finance costs.
- The increase in APROB was driven by growth in oncology, orthopedics, renal sciences, and an increase in robotic procedures, along with tariff revisions for self-pay, insurance, and institutional segments.
- ARPOB growth is projected to exceed 7% without international patient-related disruptions.
- EBITDA growth was impacted by annual merit increases, GST on variable management fees, and a drop in footfalls for immigration health checks.
- The company has shifted to a higher-end clinical mix, which typically has lower percentage margins but higher value margins.
- Capex stood at INR 2130 mn.
- Max Lab, the non-captive pathology vertical, now operates in nearly 50 cities with a network of over 1,100 collection centers and active partners.
- New facilities, including the Mohali hospital, will follow an asset-light model to minimize capital expenditure.

Expansion Projects Overview:

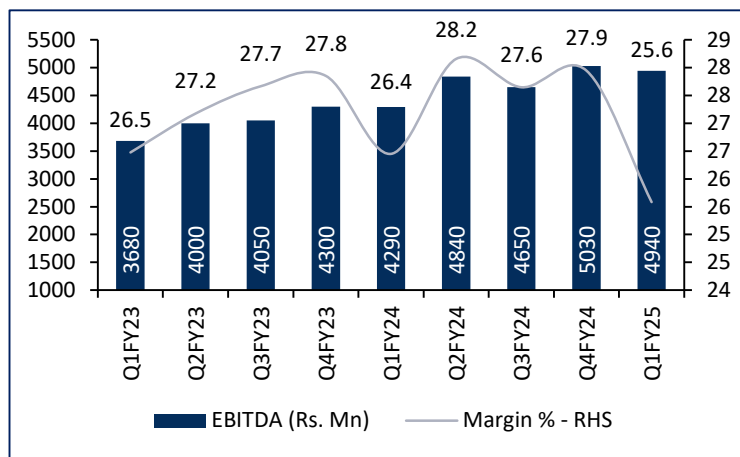
- Lucknow (590 beds): Refurbishment of the existing facility is underway. Work to operationalize an additional 140 beds has started. The company has received environmental clearance for a new 450-bed tower, with expected completion within 24 months.
- Nagpur (440 beds): Initiated work to add approximately 25 beds by Q3 FY25. An environmental clearance application for adding 115 beds on two additional floors has been filed, with project completion anticipated in 24 months.
- Nanavati Phase 1 (241 beds): Structural work is expected to be completed this month. Project completion is anticipated by FY25.
- Max Mart, Saket (375 beds): The project was fast-tracked in Q4; expected to complete by Q1 FY26.
- Mohali (155 beds): Work on the second-floor slab is underway, with expected completion by Q1 FY26.
- Gurugram Sec 56 (300 beds): Progressing as planned, with phase 1 expected to be completed by Q2 FY26.
- Patpargang Phase 1 (250 beds): Drawings have been submitted for approval, and the tendering process is underway.
- Max Vikrant, Saket (415 beds): Facing delays due to ongoing litigation with the Delhi Development Authority (DDA) and Delhi government regarding tree cutting in an eco-sensitive zone.

Revenue (Rs mn) & QoQ Growth (%)



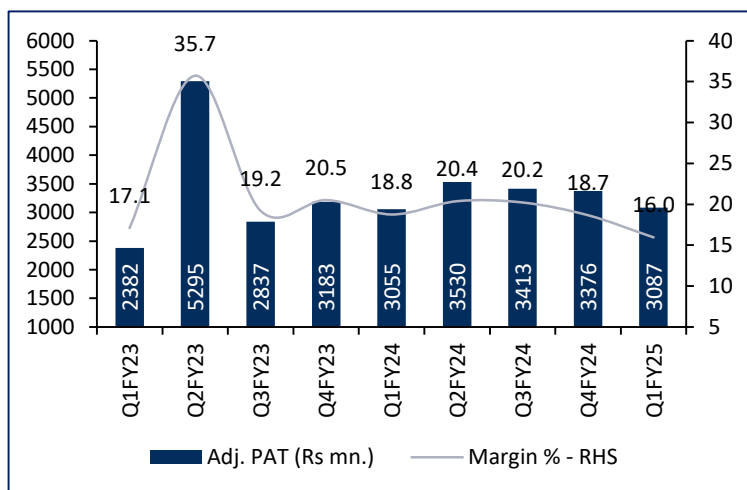
Source: Company, CEBPL

EBITDA (Rs mn) & Margin (%)



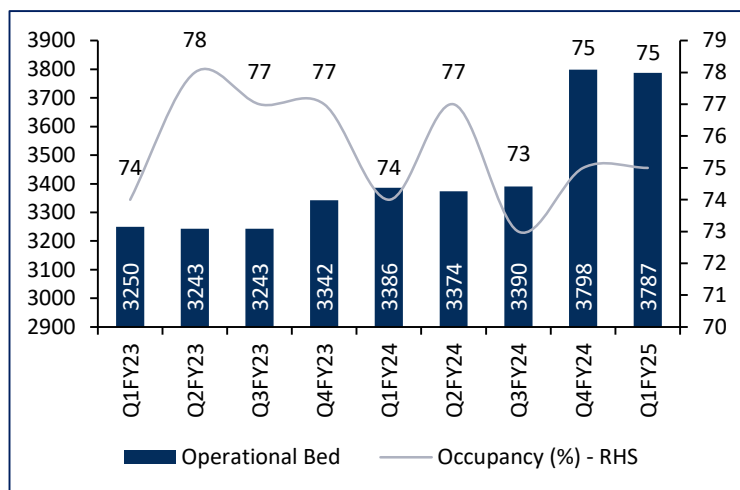
Source: Company, CEBPL

Adj. PAT (Rs mn) & Margin (%)



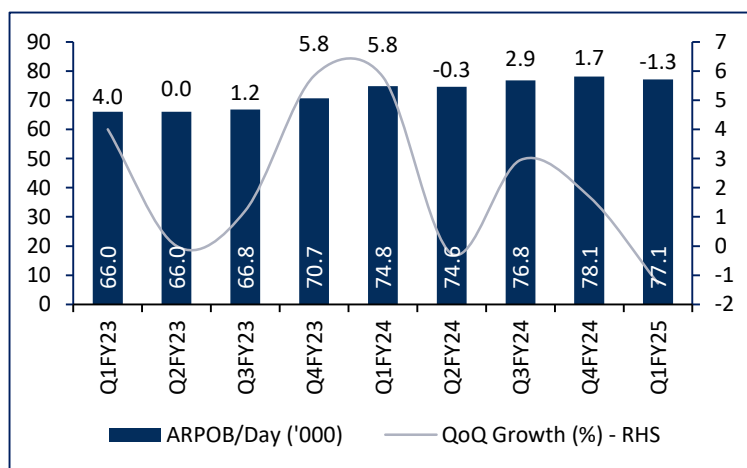
Source: Company, CEBPL

Operational Bed & Occupancy (%)



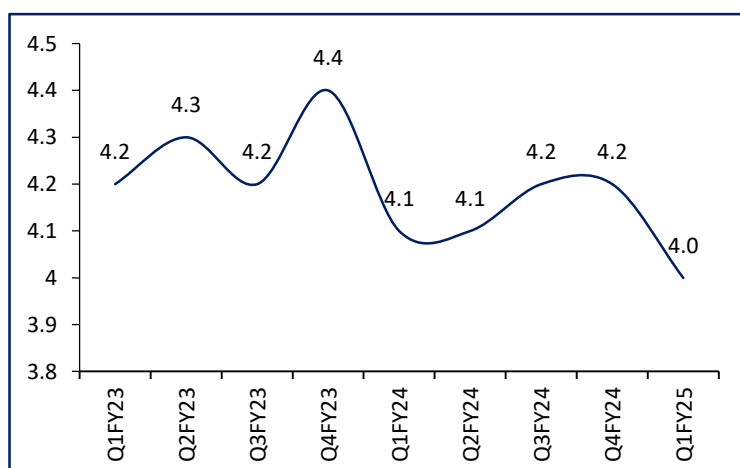
Source: Company, CEBPL

ARPOB (Rs.) & QoQ Growth (%)



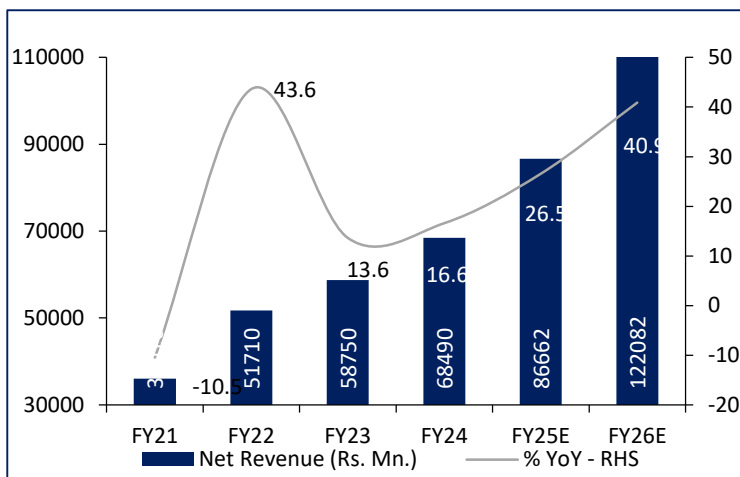
Source: Company, CEBPL

ALOS (Days)



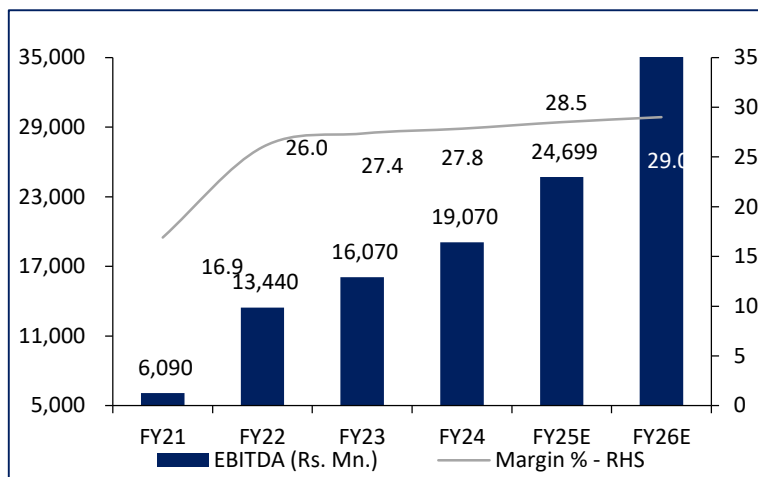
Source: Company, CEBPL

Revenue (Rs mn) % YoY growth (%)



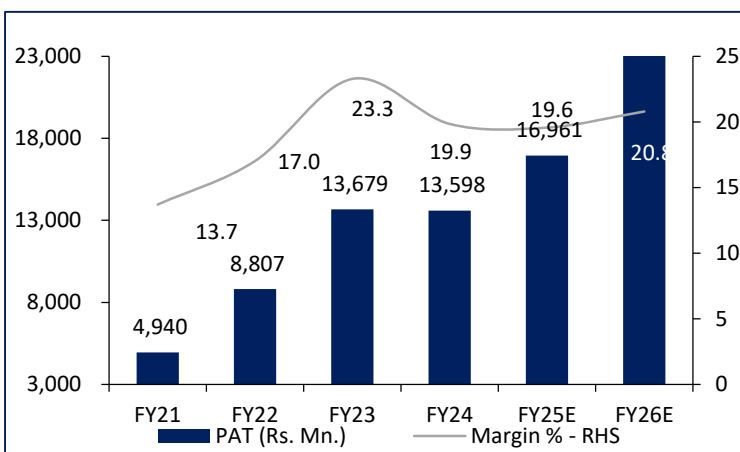
Source: Company, CEBPL

EBITDA (Rs mn) & Margin (%)



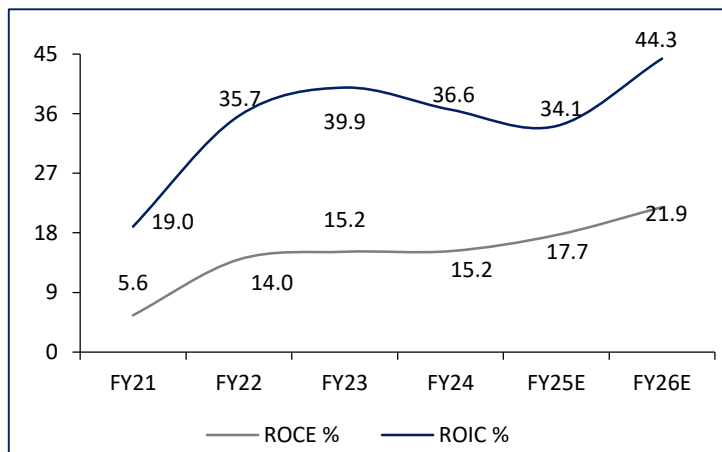
Source: Company, CEBPL

PAT (Rs mn) & Margin (%)



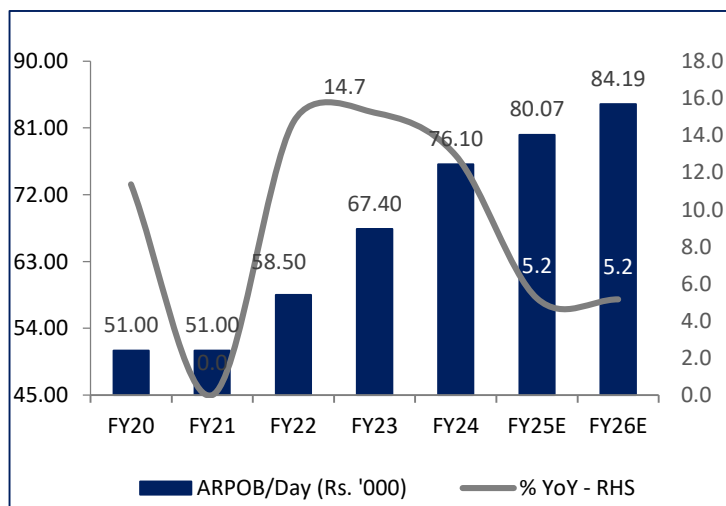
Source: Company, CEBPL

ROCE (%) & ROIC (%)



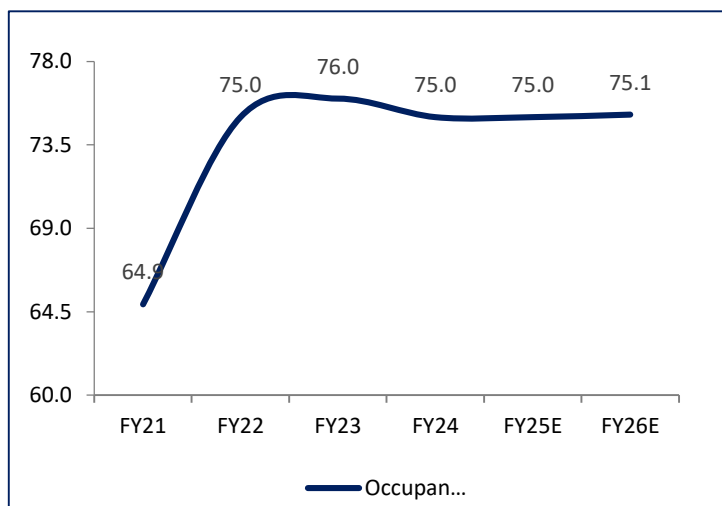
Source: Company, CEBPL

ARPOB (Rs.'000) & YoY Growth (%)



Source: Company, CEBPL

Occupancy (%)



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Revenue	51,710	58,750	68,490	86,662	1,22,082
Gross profit	38,210	44,830	52,140	65,863	92,783
EBITDA	13,440	16,070	19,070	24,699	35,404
Depreciation	2,480	2,600	2,840	3,238	3,561
EBIT	10,960	13,470	16,230	21,461	31,842
Other Income	470	290	350	400	500
Interest Expense	1,120	390	(380)	660	605
EO Items	(500)	(380)	(1,020)	(500)	(500)
Reported PAT	8,380	13,290	12,780	16,561	24,990
Adjusted PAT	8,807	13,679	13,598	16,961	25,390
EPS	9.1	14.1	14.0	17.5	26.1
NOPAT	9,362	13,781	13,013	17,169	25,474

Source: Company, CEBPL

Balance sheet (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Net worth	67,180	80,700	92,950	1,09,511	1,34,501
Deferred tax	1,850	(500)	370	900	(800)
Total debt	11,200	8,210	13,500	12,000	11,000
Other liabilities & provisions	10,900	13,790	15,650	17,150	18,150
Total Net Worth & liabilities	91,130	1,02,200	1,22,470	1,39,561	1,62,851
Net Fixed Assets	79,230	81,150	1,02,520	1,10,482	1,16,921
Capital Work in progress	-	-	-	-	-
Investments & other non current assets	20	20	30	30	30
Cash & bank balance	6,150	15,650	12,860	20,738	34,528
Loans & Advances & other assets	-	-	-	-	-
Net Current Assets	11,880	21,030	19,920	29,048	45,900
Total Assets	91,130	1,02,200	1,22,470	1,39,561	1,62,851
Capital Employed	78,380	88,910	1,06,450	1,21,511	1,45,501
Invested Capital	34,500	35,530	50,290	57,472	67,673
Net Debt	5,050	(7,440)	640	(8,738)	(23,528)

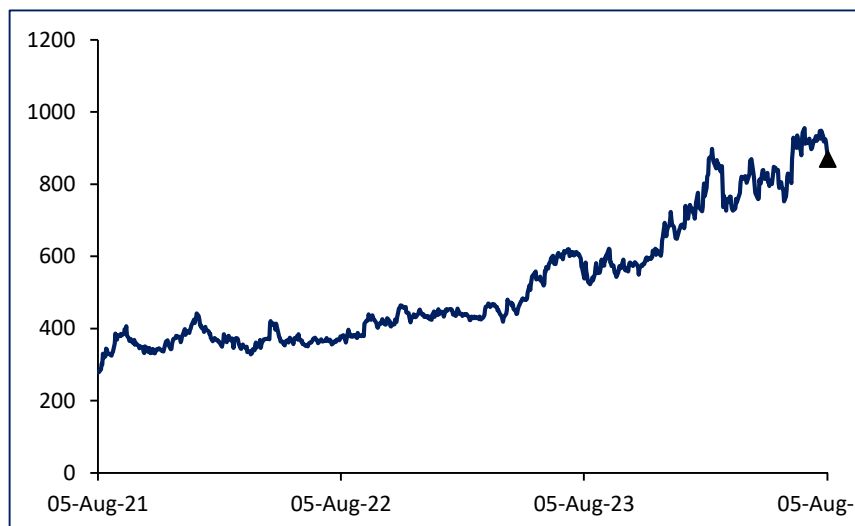
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
CFO	10,910	17,170	16,290	21,238	25,394
Capex	9,660	4,520	24,210	11,200	10,000
FCF	1,250	12,650	(7,920)	10,038	15,394
CFI	(9,660)	(4,520)	(24,220)	(11,200)	(10,000)
CFF	(3,180)	(3,380)	4,700	(2,160)	(1,605)

Ratio Analysis	FY22	FY23	FY24	FY25E	FY26E
Growth ratios (%)					
Revenue (%)	43.6	13.6	16.6	26.5	40.9
EBITDA (%)	120.7	19.6	18.7	29.5	43.3
PAT (%)	78.3	55.3	(0.6)	24.7	49.7
Margin ratios (%)					
EBITDA Margins	26.0	27.4	27.8	28.5	29.0
Adj. PAT Margins	17.0	23.3	19.9	19.6	20.8
Performance Ratios (%)					
OCF/EBITDA (X)	81.2	106.8	85.4	86.0	71.7
OCF/IC	31.6	48.3	32.4	37.0	37.5
RoE	13.1	17.0	14.6	15.5	18.9
ROCE	14.0	15.2	15.2	17.7	21.9
RoIC (Post-tax)	35.7	39.9	36.6	34.1	44.3
RoIC (Pre-tax)	41.8	39.0	45.7	42.7	55.4
Turnover Ratios (days)					
Inventory	6	6	6	7	7
Debtors	35	27	32	28	27
Payables	0	0	0	0	0
Cash Conversion Cycle	40	33	38	35	34
Financial Stability ratios (x)					
Net debt to Equity	0.1	(0.1)	0.0	(0.1)	(0.2)
Net debt to EBITDA	0.4	(0.5)	0.0	(0.4)	(0.7)
Interest Cover	9.8	34.5	(42.7)	32.5	52.6
Valuation metrics					
Fully diluted shares (mn)	966	970	971	971	971
Price (Rs)	869.8	869.8	869.8	869.8	869.8
Market Cap (Rs. Mn)	8,40,183	8,43,367	844506	844506	844506
PE(x)	96	62	62	50	33
EV (Rs.mn)	8,45,233	8,35,927	8,45,146	8,35,768	8,20,979
EV/EBITDA (x)	63	52	44	34	23
Book value (Rs/share)	70	83	96	113	139
Price to BV (x)	13	10	9.1	7.7	6.3
EV/OCF (x)	77.5	48.7	51.9	39.4	32.3

Source: Company, CEBPL

Historical recommendations and target price: Max Healthcare Institute Ltd



Max Healthcare Institute Ltd

1.	10-08-2023	Outperform,	Target Price - Rs.663
2.	08-11-2023	ADD,	Target Price - Rs.669
3.	02-02-2024	ADD,	Target Price – Rs.853
4.	24-05-2024	BUY,	Target Price- Rs. 943
5.	06-08-2024	BUY,	Target Price- Rs. 964

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OUTPERFORM	The security is expected to generate more than 25% returns over the next 12 months
BUY	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
REDUCE	The security expected to show downside or upside returns by 0% to 5% over the next 12 months
SELL	The security expected to show Below 0% next 12 months

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Motherson Sumi Wiring India Ltd. (MSWIL)

1.	20-07-2022	Add,	Target Price – Rs.61
2.	08-08-2022	Add,	Target Price – Rs.61
3.	01-11-2022	Add,	Target Price – Rs.66
4.	07-02-2023	Add,	Target Price – Rs.59
5.	20-05-2023	Add,	Target Price – Rs.62
6.	29-07-2023	Add,	Target Price – Rs.67
7.	01-11-2023	Add,	Target Price – Rs.67
8.	01-02-2024	Add,	Target Price – Rs.75
9.	17-05-2024	Buy,	Target Price – Rs.74
10.	06-08-2024	Reduce,	Target Price – Rs.72

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