

Max Healthcare Institute | REDUCE

Management meet: Growth strategy anchored on returns

We met with management of Max Healthcare Institute (Max) represented by CFO Mr Yogesh Sareen. The CFO reiterated that Max remains focused on RoI as a key criterion while evaluating growth opportunities. He also mentioned this approach may lead to some dilution in operational metrics in the near term, but that would be secondary as long as the company achieves its targeted return on capital. Max intends to add about 1,700 beds over the next two years, which will be a key growth driver, while the base business's ARPOB is expected to hover within 6–8%. The CFO argues the endeavour will be to maintain EBITDA margins of 25–27% despite upcoming bed additions while revenue growth is likely to be about 15% or higher. The institutional business mix may take time to improve, particularly with potential war-related risks impacting international patient flows. We continue to maintain our estimates for Max, which are broadly in line with the company's expectations. That said, we believe that street expectations are meaningfully higher and could pose downgrade risks. Although we like the company due to its strong execution and industry-leading operational metrics, elevated valuations and the risk of earnings downgrades leave limited room for a positive stance on the stock. Maintain REDUCE.

- Growth strategy:** Management alluded that expansion outside the Delhi NCR may lead to dilution in EBITDA/bed and other operational metrics. However, the primary focus is on generating high RoCs in new businesses rather than concentrating solely on these operating metrics. The company is able to raise loans at interest rates of 7–8%, so the objective is to deploy capital into assets that generate returns significantly higher than its cost of capital. So far, the business has executed its growth strategy well in terms of generating strong returns on investment, with Lucknow and Nagpur being notable examples.
- Bed additions and expansion pipeline:** The approach is to put in beds that can be utilised in the near term, adding one floor at a time when possible. In greenfield projects, however, it typically needs three–four floors to start operations because hospitals require multiple services to function effectively. The slower addition this year has largely been due to delays in regulatory approvals rather than a deliberate strategy to stagger bed additions, and this approach will continue. In the current quarter, the business will add only 200 beds. The remaining 300–400 beds will be added in 1QFY27E. Beds can only be added wherein occupancy certificates have been received. This quarter, the Nanavati balance will come through, and Mohali will also be added. The Smart facility may come on stream at the end of this quarter or in the next. Over the next two years, around 1,700 beds are expected to be added.
- Debt requirements:** Since bed additions will be higher over the next two years, the company will raise additional debt. Loans or credit lines for Gurgaon amounting to INR 4–5bn and an INR 5bn line for Noida are already in place.
- Impact of new hospitals on ARPOB:** Overall ARPOB growth has been affected by the addition of new hospitals. However, ARPOB growth for the base business remains at 7–8%, which the management believes is healthy enough to support cost escalations. The lower overall growth is primarily due to new assets, and this is expected to improve over time. Revenue contribution from new hospitals has increased from 7% a year ago to 19% currently.

Financial Summary						(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	68,150	86,210	101,243	118,279	136,659	
Sales Growth (%)	16.0	26.5	17.4	16.8	15.5	
EBITDA	18,730	22,730	26,019	31,581	35,805	
EBITDA Margin (%)	27.5	26.4	25.7	26.7	26.2	
Adjusted Net Profit	12,790	14,578	17,848	20,649	24,228	
Diluted EPS (INR)	13.2	15.0	18.4	21.2	24.9	
Diluted EPS Growth (%)	-18.9	14.0	22.4	15.7	17.3	
ROIC (%)	15.6	14.3	15.2	15.7	17.0	
ROE (%)	14.7	14.7	15.8	15.8	16.2	
P/E (x)	79.3	69.5	56.8	49.1	41.8	
P/B (x)	10.9	9.6	8.4	7.3	6.4	
EV/EBITDA (x)	54.1	45.3	39.4	32.1	28.0	
Dividend Yield (x)	-	-	-	-	-	

Source: Company data, JM Financial. Note: Valuations as of March 10, 2026



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Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	REDUCE
Current Price Target (12M)	988
Upside/(Downside)	-5.3%
Previous Price Target	988
Change	0.0%

Key Data – MAXHEALT IN EQUITY

Current Market Price	INR1,043
Market cap (bn)	INR1,015.0/US\$11.1
Free Float (%)	71.7
Shares in issue (mn)	973.1
Diluted shares (mn)	973.1
3-mon avg daily val (mn)	INR3,112.6/US\$34.0
52-week range	INR1,314/934
Sensex/Nifty	78,206/24,262
INR/US\$	91.8

Price Performance

%	1M	6M	12M
Absolute	2.1	-11.7	8.2
Relative*	10.0	-7.9	2.5

*To the NSE Nifty 50

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

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- **Insurance and payor mix impact:** In the last quarter, the payor mix was not optimal. It should improve this quarter, although dramatic changes are unlikely. The company has made a few bold decisions in this regard. International revenues were also impacted this quarter, mainly from the Middle East and African countries. As a result, Max has limited ability to quickly reduce institutional beds. Typically, a 30-day notice is required to reduce exposure, so adjustments cannot happen immediately.
- **Immigration business:** This business earlier generated about INR 1.5bn in revenue with margins of about 75%. It has now dwindled to about INR 84mn and is unlikely to scale up significantly due to the broader trend of deglobalisation.
- **Nanavati:** Post-expansion, margins at Nanavati can expand to about mid-20s on a net basis. However, they are unlikely to go much higher because revenue has to be shared.
- **Lucknow:** The hospital's EBITDA has surged ~4x since the acquisition, with margins in-line with peers in the region. This has brought the valuation down to 7–8x from about 25x at the time of acquisition. By FY26E, Lucknow unit is expected to be 500-bed facility, up from 410 currently. The oncology department started recently and shall gradually ramp up.
- **Noida:** Due to competition, hospital costs are relatively high. Doctors were underutilised for some time. Earlier, the business relied on referrals, but have stopped that practice, which led to a temporary decline in revenue. Now revenues have returned to their original levels. Overall EBITDA has grown 30%. The hospital had 377 beds at the time of acquisition and has now reached around 500 beds, with potential to expand to 800–900 beds.

Financial Tables (Consolidated)

Income Statement					
	(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	68,150	86,210	101,243	118,279	136,659
Sales Growth (%)	16.0	26.5	17.4	16.8	15.5
Other Operating Income	-	-	-	-	-
Total Revenue	68,150	86,210	101,243	118,279	136,659
Cost of Goods Sold/Op. Exp	16,350	21,150	25,614	29,570	34,165
Personnel Cost	13,690	13,500	18,730	22,118	25,692
Other Expenses	19,380	28,830	30,879	35,011	40,998
EBITDA	18,730	22,730	26,019	31,581	35,805
EBITDA Margin (%)	27.5	26.4	25.7	26.7	26.2
EBITDA Growth (%)	16.6	21.4	14.5	21.4	13.4
Depn. & Amort.	2,840	4,060	4,939	5,069	5,320
EBIT	15,890	18,670	21,081	26,512	30,485
Other Income	350	450	400	1,000	1,500
Finance Cost	-380	840	1,650	1,700	1,700
PBT before Excep. & Forex	16,620	18,280	19,831	25,812	30,285
Excep. & Forex Inc./Loss(-)	-670	-312	-110	-	-
PBT	15,950	17,968	19,721	25,812	30,285
Taxes	3,160	3,390	1,873	5,162	6,057
Extraordinary Inc./Loss(-)	-	-	-	-	-
Assoc. Profit/Min. Int.(-)	-	-	-	-	-
Reported Net Profit	12,790	14,578	17,848	20,649	24,228
Adjusted Net Profit	12,790	14,578	17,848	20,649	24,228
Net Margin (%)	18.8	16.9	17.6	17.5	17.7
Diluted Share Cap. (mn)	972	972	972	972	972
Diluted EPS (INR)	13.2	15.0	18.4	21.2	24.9
Diluted EPS Growth (%)	-18.9	14.0	22.4	15.7	17.3
Total Dividend + Tax	-	-	-	-	-
Dividend Per Share (INR)	-	-	-	-	-

Source: Company, JM Financial

Cash Flow Statement					
	(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	16,620	18,280	19,831	25,812	30,285
Depn. & Amort.	2,840	4,060	4,939	5,069	5,320
Net Interest Exp. / Inc. (-)	-730	390	1,250	700	200
Inc (-) / Dec in WCap.	810	1,610	1,075	1,144	1,226
Others	670	1,540	1,100	-	-
Taxes Paid	-3,160	-3,390	-1,873	-5,162	-6,057
Operating Cash Flow	17,050	22,490	26,321	27,562	30,974
Capex	-23,580	-39,430	-17,500	-15,000	-15,001
Free Cash Flow	-6,530	-16,940	8,821	12,562	15,973
Inc (-) / Dec in Investments	-	-	-	-	-
Others	-1,160	1,070	400	1,000	1,500
Investing Cash Flow	-24,740	-38,360	-17,100	-14,000	-13,501
Inc / Dec (-) in Capital	-	-	-	-	-
Dividend + Tax thereon	-970	-1,458	-1,944	-2,430	-2,431
Inc / Dec (-) in Loans	5,330	2,310	-12,650	-14,700	-14,700
Others	340	3,640	537	591	650
Financing Cash Flow	4,700	4,492	-14,057	-16,539	-16,481
Inc / Dec (-) in Cash	-2,990	-11,378	-4,836	-2,977	992
Opening Cash Balance	15,650	12,860	10,110	14,064	21,087
Closing Cash Balance	12,860	10,110	14,064	21,087	29,650

Source: Company, JM Financial

Balance Sheet					
	(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders Fund	92,950	105,330	121,234	139,453	158,821
Share Capital	92,950	105,330	121,234	139,453	158,821
Reserves & Surplus	-	-	-	-	-
Preference Share Capital	-	-	-	-	-
Minority Interest	-	-	-	-	-
Total Loans	11,770	24,920	23,920	20,920	17,920
Def. Tax Liab. / Assets (-)	370	1,510	1,510	1,510	1,510
Other non-current liabilities / Lease Liabilities	7,210	11,210	11,992	12,839	13,758
Total - Equity & Liab.	111,930	141,460	157,145	173,212	190,500
Net Fixed Assets	101,890	137,260	149,821	159,752	169,433
Gross Fixed Assets	51,850	82,330	94,891	104,822	114,503
Intangible Assets	50,040	54,930	54,930	54,930	54,930
Less: Depn. & Amort.	-	-	-	-	-
Capital WIP	-	-	-	-	-
Investments	660	40	40	40	40
Current Assets	19,920	20,020	25,437	34,373	45,001
Inventories	1,060	1,340	1,664	1,944	2,246
Sundry Debtors	6,000	8,570	9,708	11,342	13,104
Cash & Bank Balances	12,860	10,110	14,064	21,087	29,650
Loans & Advances	-	-	-	-	-
Other Current Assets	-	-	-	-	-
Current Liab. & Prov.	10,170	14,350	16,643	19,443	22,465
Current Liabilities	-	-	-	-	-
Provisions & Others	10,170	14,350	16,643	19,443	22,465
Net Current Assets	9,750	5,670	8,794	14,930	22,536
Other Non Current Assets/ROU Assets	-	-	-	-	-
Total - Assets	111,930	141,460	157,145	173,212	190,500

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin (%)	18.8	16.9	17.6	17.5	17.7
Asset Turnover (x)	0.7	0.7	0.7	0.7	0.7
Leverage Factor (x)	1.2	1.3	1.3	1.3	1.2
RoE (%)	14.7	14.7	15.8	15.8	16.2

Source: Company, JM Financial

Key Ratios					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	95.6	108.4	124.7	143.5	163.4
ROIC (%)	15.6	14.3	15.2	15.7	17.0
ROE (%)	14.7	14.7	15.8	15.8	16.2
Net Debt/Equity (x)	0.0	0.1	0.1	0.0	-0.1
P/E (x)	79.3	69.5	56.8	49.1	41.8
P/B (x)	10.9	9.6	8.4	7.3	6.4
EV/EBITDA (x)	54.1	45.3	39.4	32.1	28.0
EV/Sales (x)	14.9	11.9	10.1	8.6	7.3
Debtor days	32	36	35	35	35
Inventory days	6	6	6	6	6
Creditor days	-	-	-	-	-

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
7-Feb-26	Reduce	988	-16.3
17-Nov-25	Add	1,181	6.2
14-Aug-25	Hold	1,112	2.0
21-May-25	Hold	1,090	10.7
3-Feb-25	Hold	985	1.0
7-Nov-24	Hold	975	16.1
2-Aug-24	Hold	840	0.0
13-Jul-24	Hold	840	

Recommendation History Chart



APPENDIX I

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Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
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