Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

Max Healthcare Institute (MAXHEALT IN)

Rating: BUY | CMP: Rs601 | TP: Rs675

November 7, 2023

Q2FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	675		610	
Sales (Rs.m)	68,568	80,570	65,754	78,017
% Chng.	*4.3*	*3.3*		
EBITDA (Rs.m)	18,882	22,041	17,974	21,188
% Chng.	*5.1*	*4.0*		
EPS (Rs.)	14.4	16.5	12.9	15.5
% Chng.	*11.4*	*6.7*		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	58,750	68,568	80,570	97,539
EBITDA (Rs. m)	16,070	18,882	22,041	26,461
Margin (%)	*27.4*	*27.5*	*27.4*	*27.1*
PAT (Rs. m)	13,670	13,940	16,065	19,596
EPS (Rs.)	14.1	14.4	16.5	20.2
Gr. (%)	*53.7*	*2.0*	*15.2*	*22.0*
DPS (Rs.)	1.1	1.7	2.2	2.8
Yield (%)	*0.2*	*0.3*	*0.4*	*0.5*
RoE (%)	*18.5*	*16.0*	*16.1*	*17.0*
RoCE (%)	*16.4*	*17.4*	*18.3*	*19.7*
EV/Sales (x)	9.8	8.3	7.0	5.7
EV/EBITDA (x)	35.8	30.2	25.6	21.0
PE (x)	42.7	41.9	36.3	29.8
P/BV (x)	7.2	6.3	5.5	4.7

Key Data	MAXI.BO | MAXHEALT IN
52-W High / Low	Rs.630 / Rs.411
Sensex / Nifty	64,959 / 19,412
Market Cap	Rs.584bn/ $ 7,016m
Shares Outstanding	972m
3M Avg. Daily Value	Rs.1137.6m

Shareholding Pattern (%)

Promoter's	23.76
Foreign	60.39
Domestic Institution	10.93
Public & Others	4.92
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.2	24.1	29.8
Relative	8.9	16.6	21.8

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Strong growth despite negligible expansion

Quick Pointers:

- All the projects expansion plan is on track.
- Robotic advancement resulted in higher surgical volumes.

Max Healthcare Institute (MAXHEALT) reported EBITDA of Rs4.9bn (up 13% QoQ) which came 7% above our estimates, aided by healthy ARPOB at Rs.74.6k and better margins. The company showed phenomenal growth in past two years and we expect this momentum to continue given 1) strong expansion plans (+2000 additional beds over FY23-26E), 2) improving payor mix (15% revenue contribution from institutional by FY25E vs 17.9% now) and 3) scale-up in labs. Operational efficiency has also been commendable, especially in competitive markets like NCR. Our FY24E/25E EBITDA increased by 5%/4% and we expect 18% EBITDA CAGR over FY23-26E. We ascribe 26x EV/EBITDA based on Sept 2025E EBITDA. Maintain 'BUY' rating with revised target price of Rs. 675/share (Rs610 earlier) as we roll forward.

- **EBITDA beat by 7% aided by healthy ARPOB and improved case mix:** MAXHEALT reported EBITDA of Rs 4.9bn (up 21% YoY) vs our estimate of Rs4.55bn. Sequentially margins improved 180bps to 28.2%. Overall occupancy stood at 77% vs 74% QoQ led by seasonality. ARPOB remain flat QoQ to Rs.74.6K (up 13% YoY) due to improved case mix and price revision in institutional segment.

- **Strong revenues; net cash further increased by 3.5bn QoQ:** Consolidated revenues grew by 17%YoY (6% QoQ) to Rs. 17.2bn vs our estimate of Rs16.3bn. International business contribution came in at 9.3% (8.9% in Q1FY24). Institutional share was at 17.9% vs 18.4% in Q1. Max Lab and Max@Home revenue stood at Rs 390mn and Rs 420mn respectively. During the quarter, company's net cash further increased by Rs3.5bn QoQ to Rs13bn.

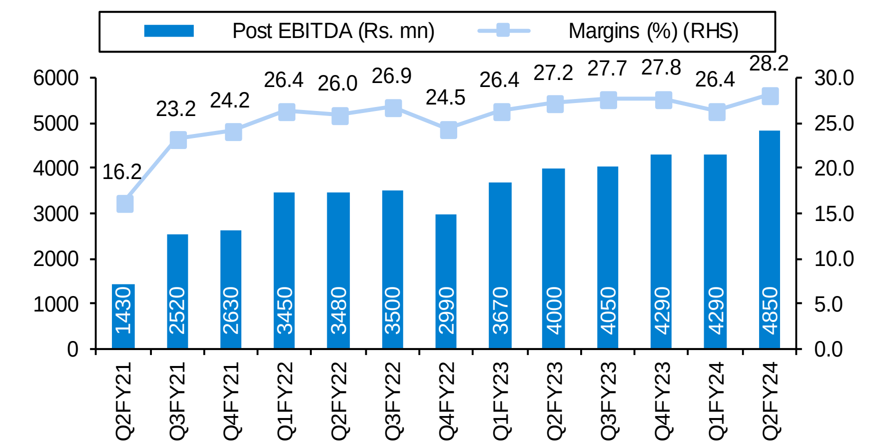
- **Key con-call takeaways: (1)** Capex incurred for ongoing projects was at Rs. 1.3bn for H1FY24. **(2) Expansion plans- Dwarka (300 beds)**: Applied for OC and on track to commission in Q4FY24. **Nanavati (329 beds)**: Project is on track; excavation and related work is completed along with Steel fabrication work. Ground level structure work expected to be completed in Q3. **Sec56, Gurgaon (300 beds):** Site excavation is almost completed. EPC contractor is on board and received TDR approval for another 0.5 Floor Area Ratio. **Mohali (190 beds)**: All statutory approvals to start construction have been received and also appointed EPC contractor. **Max Smart (350 beds)**: Project is back on schedule to start construction from Dec-23 **(3)** Greenfield projects guided to break even within 12 months while brownfield expansion likely to be EBITDA accretive within 3 months. Mgmt cited that ~10% of expansion is greenfield **(4) Payor mix:** Institutional patient's bed share was at 27.3% vs 27.9% in Q2FY23. Excluding Shalimar, it dropped to 25.4% from 27.4% QoQ. **(5) ARPOB:** Institutional ARPOB increased due to CGHS rate hike. Overall impact of Rs140mn from price revision in institutional segment. Mgmt cited that ARPOB for cash patients is 85% higher than institutional segment, while ARPOB for international patients will be 45-50% higher than cash **(6)** Out of total 2700 beds expansion plan; 1000 beds will not have EWS obligation which includes Dwarka and Gurgaon unit **(7)** Increased focus on robotic technology which aided surgical mix especially in oncology segment. Onco share stand at 25.3%.

Exhibit 1: Q2FY24 Result Overview (Rs mn) – EBITDA above estimates aided by healthy ARPOB and improved case mix

Y/e March	2QFY24	2QFY23	YoY gr. (%)	1QFY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Net Sales	**17,190**	**14,720**	***16.8***	**16,220**	***6.0***	**33,410**	**28,620**	***16.7***
COGS	6,670	5,750	*16.0*	6,500	*2.6*	13,170	11,260	*17.0*
% of Net Sales	*38.8*	*39.1*		*40.1*		*39.4*	*39.3*	
Other Expenses	5,670	4,970	*14.1*	5,430	*4.4*	11,100	9,690	*14.6*
% of Net Sales	*35.0*	*33.8*		*33.5*		*33.2*	*33.9*	
Total	**12,340**	**10,720**	*15.1*	**11,930**	***3.4***	**24,270**	**20,950**	***15.8***
EBITDA	**4,850**	**4,000**	***21.3***	**4,290**	***13.1***	**9,140**	**7,670**	***19.2***
Margins (%)	*28.2*	*27.2*		*26.4*		*27.4*	*26.8*	
Other Income	130	100	*30.0*	70	*85.7*	200	130	*53.8*
Interest	(170)	140	*(221.4)*	(30)	*466.7*	(200)	340	*NA*
Depreciation	660	640	*3.1*	640	*3.1*	1,300	1,290	*0.8*
PBT	**4,490**	**3,320**	***35.2***	**3,750**	***19.7***	**8,240**	**6,170**	***33.5***
Tax	910	540	*68.5*	660	*37.9*	1,570	1,000	*57.0*
Tax rate (%)	*20.3*	*16.3*		*17.6*		*19.1*	*16.2*	
PAT	**3,580**	**2,780**	***28.8***	**3,090**	***15.9***	**6,670**	**5,170**	***29.0***
Other comprehensive income/(exp)	-	-	*NA*	-	*NA*	-	-	*NA*
EO items	190	(2,330)	*(108.2)*	190	-	380	(2,220)	*NA*
Reported PAT	**3,390**	**5,110**	***(33.7)***	**2,900**	***16.9***	**6,290**	**7,390**	***(14.9)***

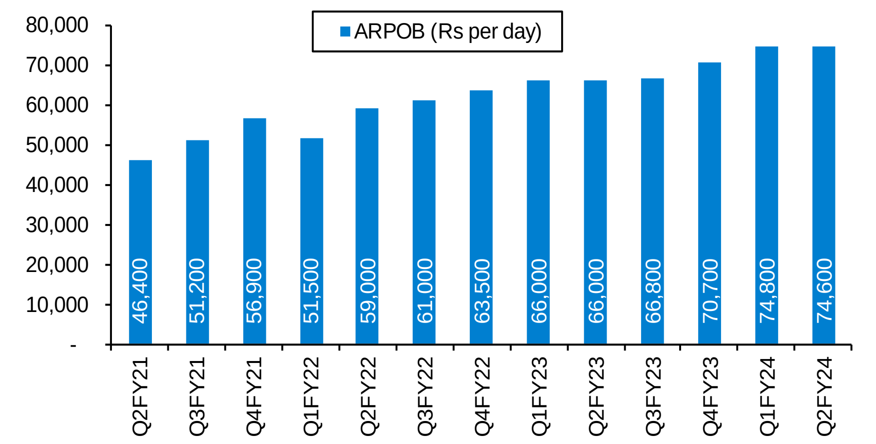
Source: Company, PL

Exhibit 2: Margins improved ~180 bps to 28.2%



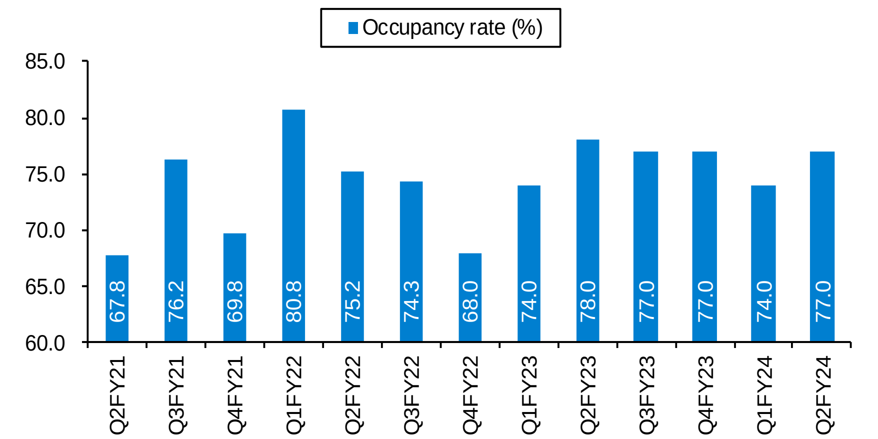
Source: Company, PL

Exhibit 3: Healthy ARPOB led by price revision and case mix



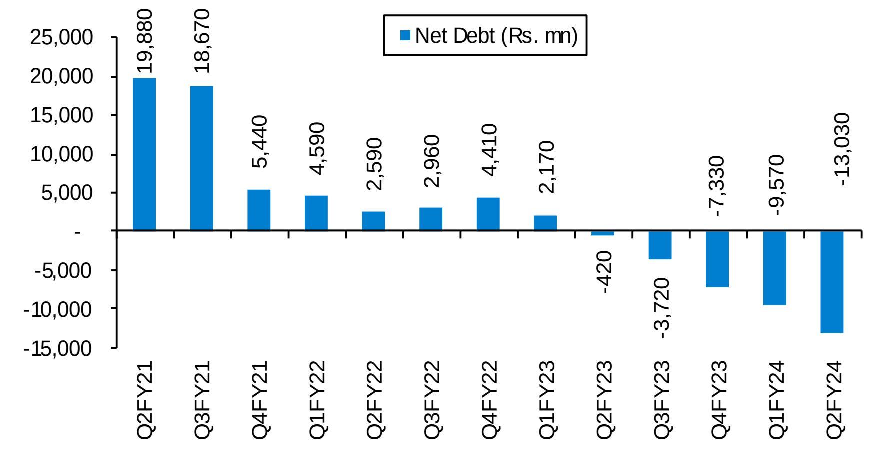
Source: Company, PL

Exhibit 4: Occupancy improved QoQ on seasonality



Source: Company, PL

Exhibit 5: Net cash further increased by Rs. 3.5bn QoQ



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	**58,750**	**68,568**	**80,570**	**97,539**
YoY gr. (%)	*13.6*	*16.7*	*17.5*	*21.1*
Cost of Goods Sold	13,920	17,485	20,545	24,872
Gross Profit	44,830	51,083	60,025	72,666
Margin (%)	*76.3*	*74.5*	*74.5*	*74.5*
Employee Cost	20,883	23,999	28,200	34,139
Other Expenses	7,878	8,203	9,784	12,067
EBITDA	**16,070**	**18,882**	**22,041**	**26,461**
YoY gr. (%)	*19.6*	*17.5*	*16.7*	*20.1*
Margin (%)	*27.4*	*27.5*	*27.4*	*27.1*
Depreciation and Amortization	2,600	2,782	3,060	3,366
EBIT	**13,470**	**16,100**	**18,981**	**23,095**
Margin (%)	*22.9*	*23.5*	*23.6*	*23.7*
Net Interest	390	(400)	(400)	(400)
Other Income	290	500	700	1,000
Profit Before Tax	**13,370**	**17,000**	**20,081**	**24,495**
Margin (%)	*22.8*	*24.8*	*24.9*	*25.1*
Total Tax	(300)	3,060	4,016	4,899
Effective tax rate (%)	*(2.2)*	*18.0*	*20.0*	*20.0*
Profit after tax	**13,670**	**13,940**	**16,065**	**19,596**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**13,670**	**13,940**	**16,065**	**19,596**
YoY gr. (%)	*53.9*	*2.0*	*15.2*	*22.0*
Margin (%)	*23.3*	*20.3*	*19.9*	*20.1*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**13,670**	**13,940**	**16,065**	**19,596**
YoY gr. (%)	*53.9*	*2.0*	*15.2*	*22.0*
Margin (%)	*23.3*	*20.3*	*19.9*	*20.1*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,670	13,940	16,065	19,596
Equity Shares O/s (m)	**971**	**971**	**971**	**971**
EPS (Rs)	**14.1**	**14.4**	**16.5**	**20.2**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	**43,420**	**48,518**	**55,458**	**62,092**
Tangibles	43,420	48,518	55,458	62,092
Intangibles	-	-	-	-
Acc: Dep / Amortization	**-**	**-**	**-**	**-**
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	**43,420**	**48,518**	**55,458**	**62,092**
Tangibles	43,420	48,518	55,458	62,092
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	37,730	37,736	37,742	37,748
Non-Current Investments	20	20	20	20
Net Deferred tax assets	500	500	500	500
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,040	1,503	1,766	2,138
Trade receivables	5,845	7,052	7,967	9,142
Cash & Bank Balance	15,650	17,304	21,786	29,761
Other Current Assets	-	-	-	-
Total Assets	**1,03,705**	**1,12,134**	**1,24,739**	**1,40,900**
Equity				
Equity Share Capital	80,700	93,009	1,06,899	1,23,776
Other Equity	-	-	-	-
Total Networth	**80,700**	**93,009**	**1,06,899**	**1,23,776**
Non-Current Liabilities				
Long Term borrowings	6,820	4,820	2,820	820
Provisions	-	-	-	-
Other non current liabilities	4,400	4,400	4,400	4,400
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,921	8,078	9,492	11,491
Other current liabilities	2,474	(563)	(1,262)	(1,977)
Total Equity & Liabilities	**1,03,705**	**1,12,134**	**1,24,739**	**1,40,900**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	13,370	17,000	20,081	24,495
Add. Depreciation	2,600	2,782	3,060	3,366
Add. Interest	390	(400)	(400)	(400)
Less Financial Other Income	290	500	700	1,000
Add. Other	-	-	-	-
Op. profit before WC changes	16,360	19,382	22,741	27,461
Net Changes-WC	(1,154)	(1,670)	(1,178)	(1,547)
Direct tax	300	(3,060)	(4,016)	(4,899)
Net cash from Op. activities	**15,506**	**14,652**	**17,547**	**21,015**
Capital expenditures	(4,200)	(11,000)	(10,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	-	(1,087)	(1,087)	(1,087)
Net Cash from Invt. activities	**(4,200)**	**(12,087)**	**(11,087)**	**(11,087)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(2,360)	(2,000)	(2,000)	(2,000)
Dividend paid	-	(1,631)	(2,175)	(2,719)
Interest paid	(390)	400	400	400
Others	944	2,321	1,796	2,365
Net cash from Fin. activities	**(1,806)**	**(910)**	**(1,979)**	**(1,953)**
Net change in cash	**9,500**	**1,654**	**4,481**	**7,975**
Free Cash Flow	11,306	3,652	7,547	11,015

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	**14,640**	**15,440**	**16,220**	**17,190**
YoY gr. (%)	*12.4*	*26.5*	*16.7*	*16.8*
Raw Material Expenses	5,730	6,050	6,500	6,670
Gross Profit	8,910	9,390	9,720	10,520
Margin (%)	*60.9*	*60.8*	*59.9*	*61.2*
EBITDA	**4,050**	**4,290**	**4,290**	**4,850**
YoY gr. (%)	*15.7*	*43.5*	*16.9*	*21.3*
Margin (%)	*27.7*	*27.8*	*26.4*	*28.2*
Depreciation / Depletion	630	690	640	660
EBIT	**3,420**	**3,600**	**3,650**	**4,190**
Margin (%)	*23.4*	*23.3*	*22.5*	*24.4*
Net Interest	70	(20)	(30)	(170)
Other Income	130	70	70	130
Profit before Tax	**3,480**	**3,690**	**3,750**	**4,490**
Margin (%)	*23.8*	*23.9*	*23.1*	*26.1*
Total Tax	610	520	660	910
Effective tax rate (%)	*17.5*	*14.1*	*17.6*	*20.3*
Profit after Tax	**2,870**	**3,170**	**3,090**	**3,580**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**2,690**	**3,190**	**2,900**	**3,390**
YoY gr. (%)	*6.3*	*85.5*	*27.2*	*(33.7)*
Margin (%)	*18.4*	*20.7*	*17.9*	*19.7*
Extra Ord. Income / (Exp)	180	(20)	190	190
Reported PAT	**2,870**	**3,170**	**3,090**	**3,580**
YoY gr. (%)	*13.4*	*77.1*	*29.3*	*28.8*
Margin (%)	*19.6*	*20.5*	*19.1*	*20.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**2,870**	**3,170**	**3,090**	**3,580**
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	**3.0**	**3.3**	**3.2**	**3.7**

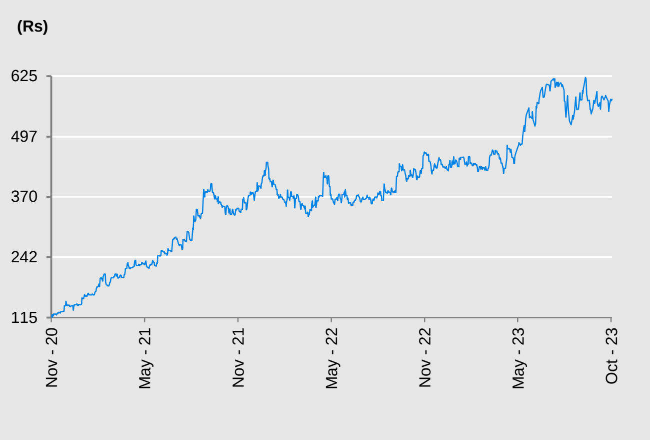
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	14.1	14.4	16.5	20.2
CEPS	16.8	17.2	19.7	23.6
BVPS	83.1	95.8	110.1	127.5
FCF	11.6	3.8	7.8	11.3
DPS	1.1	1.7	2.2	2.8
Return Ratio(%)				
RoCE	16.4	17.4	18.3	19.7
ROIC	15.3	17.0	18.4	20.8
RoE	18.5	16.0	16.1	17.0
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	0	3	1	(1)
Valuation(x)				
PER	42.7	41.9	36.3	29.8
P/B	7.2	6.3	5.5	4.7
P/CEPS	35.9	34.9	30.5	25.4
EV/EBITDA	35.8	30.2	25.6	21.0
EV/Sales	9.8	8.3	7.0	5.7
Dividend Yield (%)	0.2	0.3	0.4	0.5

Source: Company Data, PL Research

Price Chart	Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	BUY	610	561
2	09-Aug-23	BUY	610	560
3	06-Jul-23	BUY	565	614
4	17-May-23	BUY	565	523
5	06-Apr-23	BUY	500	419
6	05-Feb-23	BUY	500	436
7	06-Jan-23	BUY	500	433

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,800	5,060
2	Aster DM Healthcare	BUY	345	327
3	Aurobindo Pharma	Accumulate	900	901
4	Cipla	BUY	1,350	1,174
5	Divi's Laboratories	Reduce	3,150	3,522
6	Dr. Reddy's Laboratories	Reduce	5,300	5,397
7	Eris Lifesciences	BUY	910	900
8	Fortis Healthcare	BUY	365	328
9	Glenmark Pharmaceuticals	Reduce	570	794
10	HealthCare Global Enterprises	BUY	385	361
11	Indoco Remedies	BUY	385	350
12	Ipca Laboratories	Hold	880	934
13	J.B. Chemicals & Pharmaceuticals	BUY	1,500	1,500
14	Krishna Institute of Medical Sciences	BUY	2,000	1,918
15	Lupin	Hold	1,010	1,155
16	Max Healthcare Institute	BUY	610	561
17	Narayana Hrudayalaya	BUY	1,110	1,092
18	Sun Pharmaceutical Industries	BUY	1,280	1,116
19	Sunteck Realty	BUY	565	436
20	Torrent Pharmaceuticals	BUY	2,250	1,877
21	Zydus Lifesciences	Accumulate	650	604

PL's Recommendation Nomenclature (Absolute Performance)

Buy : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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