

May 24, 2024

Q4FY24 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	925		925	
Sales (Rs. m)	79,437	1,02,048	84,057	1,06,130
% Chng.	(5.5)	(3.8)		
EBITDA (Rs. m)	22,210	28,997	22,980	29,399
% Chng.	(3.3)	(1.4)		
EPS (Rs.)	16.1	21.6	17.4	22.7
% Chng.	(7.4)	(5.0)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	59,040	68,490	79,437	1,02,048
EBITDA (Rs. m)	16,360	19,070	22,210	28,997
Margin (%)	27.7	27.8	28.0	28.4
PAT (Rs. m)	13,290	12,780	15,635	20,999
EPS (Rs.)	13.7	13.1	16.1	21.6
Gr. (%)	58.4	(3.9)	22.3	34.3
DPS (Rs.)	1.1	1.0	2.2	2.8
Yield (%)	0.1	0.1	0.3	0.3
RoE (%)	18.5	15.5	15.7	18.2
RoCE (%)	16.8	16.9	17.0	20.3
EV/Sales (x)	13.1	11.4	9.8	7.5
EV/EBITDA (x)	47.1	40.9	34.9	26.3
PE (x)	58.7	61.1	49.9	37.2
P/BV (x)	9.7	8.4	7.3	6.3

Key Data

MAXI.BO | MAXHEALT IN

52-W High / Low	Rs.910 / Rs.505	
Sensex / Nifty	75,418 / 22,968	
Market Cap	Rs.780bn/ \$ 9,372m	
Shares Outstanding	972m	
3M Avg. Daily Value	Rs.2396.41m	

Shareholding Pattern (%)

Promoter's	23.75
Foreign	57.33
Domestic Institution	14.96
Public & Others	3.96
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.6	30.3	45.0
Relative	3.2	14.1	19.2

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Max Healthcare Institute (MAXHEALT IN)

Rating: BUY | CMP: Rs803 | TP: Rs925

In line quarter; growth on track

Quick Pointers:

- ARPOB and occupancy improved QoQ.
- Growth will be aided from expansion and ramping up of Lucknow, Nagpur units.

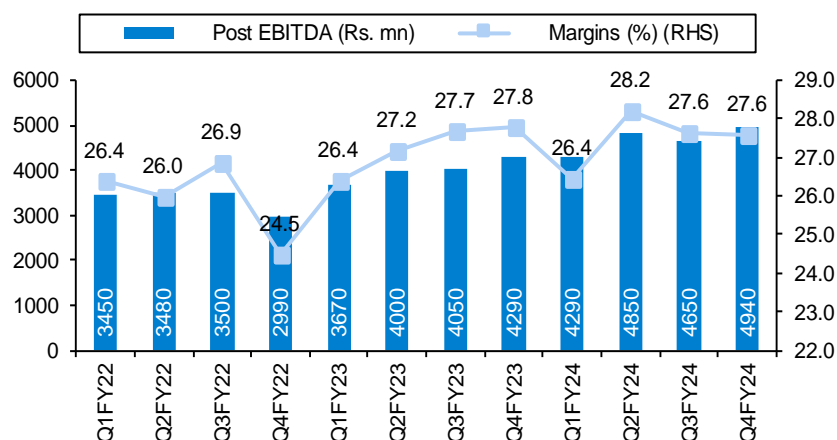
Max Healthcare Institute (MAXHEALT) reported EBITDA of Rs 4.94bn (up 15% YoY) which was in-line with our estimates, aided by higher ARPOB at Rs. 78.1k/day; up 11% YoY. The company showed phenomenal growth (18% EBITDA CAGR) over FY22-24, despite negligible capacity additions. We expect pick-up in the growth momentum given 1) strong expansion plans (+3000 additional beds over FY24-27E), 2) improving payor mix and 3) Bolt on acquisitions like recently added unit in Lucknow and Nagpur. Operational efficiency has also been commendable, especially in competitive markets like NCR. Our FY25E/26E EBITDA broadly remains unchanged however PAT stands reduced by ~5% factoring in recent acquisitions and we expect EBITDA/PAT to grow ~2x over FY24-27E. We ascribe 30x EV/EBITDA based on FY26E. Maintain 'BUY' rating with TP of Rs925/share and remains our top pick.

- In line EBITDA; OPM at 28.1% adjusted for new units:** MAXHEALT reported EBITDA of Rs 4.94bn (up 15% YoY) in-line with our estimates; new units (Lucknow and Nagpur) contributed ~Rs30mn of EBITDA and net loss of Rs. 110mn which includes one-time transaction cost in Q4. Sequentially margins were flat at 27.6%; adjusted for new units OPM was at 28.1% up 50bps QoQ. Overall occupancy stood at 75% vs 73% QoQ recovered by seasonality. ARPOB further improved by 2% QoQ to Rs.78.1K (up 11% YoY).
- Healthy revenues; net cash decreased given recent acquisitions:** Consolidated revenues came at Rs. 17.9bn; of which Rs. 420mn were contributed by recently acquired two new units. Adjusted to these new units, revenue growth was at 13% YoY (4% QoQ) which was in line with our estimate. Institutional share was at 17.7% vs 18.3% in Q3. Max Lab and Max@Home revenue stood at Rs 390mn and Rs 460mn respectively. During Q4, net cash decreased by Rs 12.7bn QoQ to Rs 220mn on account of recent acquisitions.
- Key con-call takeaways: (1) Capex** incurred for the ongoing projects was Rs.4.4bn for FY24 and Rs. 15bn spent on recent acquisitions. **(2) Expansion plans- Dwarka (300 beds):** Expects to operationalized in early Jun'24 with likely first phase of 160 beds for which already hired 280 doctors. **Nanavati (329 beds):** Project is largely on track as structure will be ready by July and operationalized in Q4FY25. **Sec56, Gurgaon (300 beds):** Slab work is progressing, project work slowed down and will be delayed by 6 months due to residential restrictions on working hours. **Mohali (155 beds):** Slab work is in progress, number of beds reduced from 190 beds earlier due to change in configuration as per new requirement by Punjab government; expected to be completed by Q1FY26. **Max Smart (350 beds):** Project has been fast track and expected to be completed 9 months early by Q1FY26. **MAX Vikrant (300 beds):** Received environmental clearance and will be commercialized in two phases. **Paparganj (250 beds):** Municipal corporation approval is in progress. **(3) Nagpur unit** – 25 beds will be added through internal configuration by Q3FY25 along with additional plan of adding 140 beds. **(4) Lucknow units (550 beds)** – Commenced the work for adding 140 beds and refurbishing existing 250 beds by Dec'24 **(5) International** revenues were flat due to delay in getting VISA.

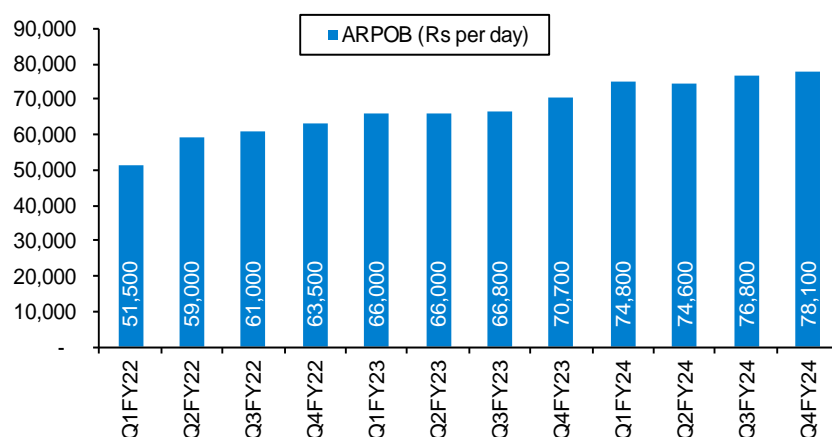
Exhibit 1: Q4FY24 Result Overview (Rs mn) – In line EBITDA aided by strong ARPOB

Y/e March	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	17,910	15,440	16.0	16,820	6.5	68,140	58,750	16.0
COGS	7,070	6,050	16.9	6,500	8.8	16,350	13,920	17.5
<i>% of Net Sales</i>	<i>39.5</i>	<i>39.2</i>		<i>38.6</i>		<i>24.0</i>	<i>23.7</i>	
Other Expenses	5,900	5,100	15.7	5,670	4.1	33,070	28,760	15.0
<i>% of Net Sales</i>	<i>35.1</i>	<i>33.0</i>		<i>33.7</i>		<i>56.3</i>	<i>49.0</i>	
Total	12,970	11,150	16.3	12,170	6.6	49,420	42,680	15.8
EBITDA	4,940	4,290	15.2	4,650	6.2	18,720	16,070	16.5
<i>Margins (%)</i>	<i>27.6</i>	<i>27.8</i>		<i>27.6</i>		<i>27.5</i>	<i>27.4</i>	
Other Income	90	70	28.6	60	50.0	350	290	20.7
Interest	(40)	(20)	100.0	(140)	(71.4)	(380)	390	(197.4)
Depreciation	840	690	21.7	700	20.0	2,840	2,600	9.2
PBT	4,230	3,690	14.6	4,150	1.9	16,610	13,370	24.2
Tax	870	520	67.3	730	19.2	3,160	(300)	NA
<i>Tax rate (%)</i>	<i>20.6</i>	<i>14.1</i>		<i>17.6</i>		<i>19.0</i>	<i>(2.2)</i>	
PAT	3,360	3,170	6.0	3,420	(1.8)	13,450	13,670	(1.6)
Other comprehensive income/(exp)	-	-	NA	-	NA	-	-	NA
EO items	250	(20)	(1,350.0)	40	525.0	670	380	76.3
Reported PAT	3,110	3,190	(2.5)	3,380	(8.0)	12,780	13,290	(3.8)

Source: Company, PL

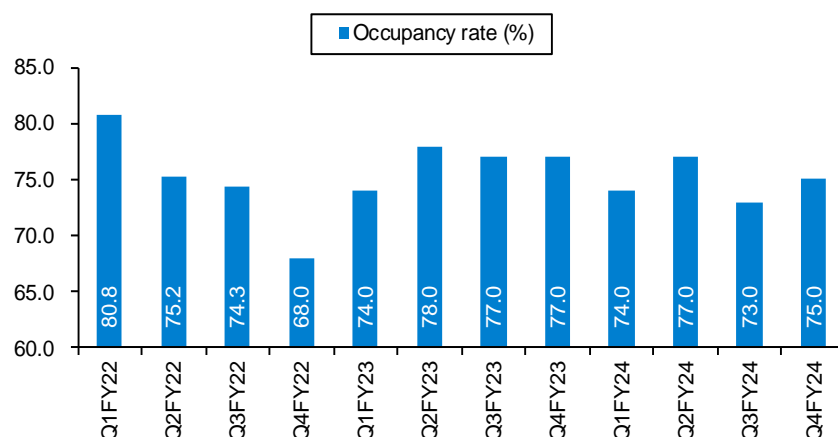
Exhibit 2: Margins were flat QoQ; adjusted for new units at 28.1% QoQ


Source: Company, PL

Exhibit 3: Strong ARPOB growth led by case mix and tariff revision


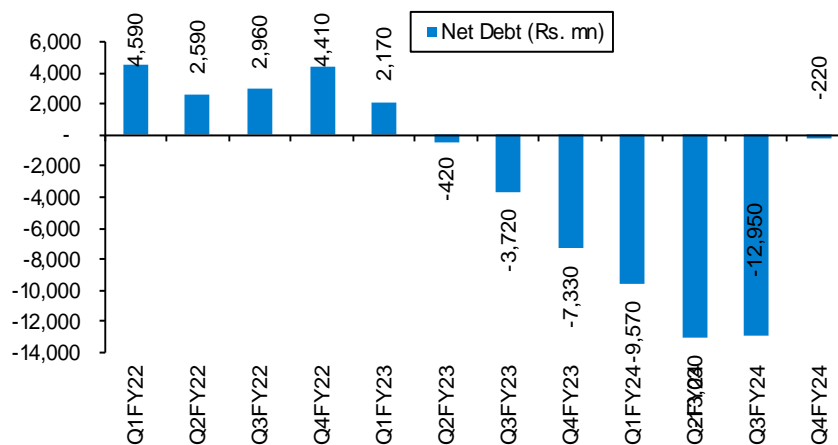
Source: Company, PL

Exhibit 4: Occupancy improved QoQ due to seasonality



Source: Company, PL

Exhibit 5: Net cash was reduced QoQ by Rs. 12.7bn



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	59,040	68,490	79,437	1,02,048
YoY gr. (%)	13.1	16.0	16.0	28.5
Cost of Goods Sold	13,920	16,350	20,257	26,022
Gross Profit	45,120	52,140	59,181	76,026
Margin (%)	76.4	76.1	74.5	74.5
Employee Cost	20,926	23,964	27,803	35,717
Other Expenses	7,834	9,107	9,167	11,312
EBITDA	16,360	19,070	22,210	28,997
YoY gr. (%)	17.6	16.6	16.5	30.6
Margin (%)	27.7	27.8	28.0	28.4
Depreciation and Amortization	2,600	2,840	3,408	3,749
EBIT	13,760	16,230	18,802	25,248
Margin (%)	23.3	23.7	23.7	24.7
Net Interest	390	(380)	(500)	(1,000)
Other Income	-	-	-	-
Profit Before Tax	13,370	16,610	19,302	26,248
Margin (%)	22.6	24.3	24.3	25.7
Total Tax	(300)	3,160	3,667	5,250
Effective tax rate (%)	(2.2)	19.0	19.0	20.0
Profit after tax	13,670	13,450	15,635	20,999
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	13,290	12,780	15,635	20,999
YoY gr. (%)	58.6	(3.8)	22.3	34.3
Margin (%)	22.5	18.7	19.7	20.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	13,290	12,780	15,635	20,999
YoY gr. (%)	58.6	(3.8)	22.3	34.3
Margin (%)	22.5	18.7	19.7	20.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,290	12,780	15,635	20,999
Equity Shares O/s (m)	971	972	972	972
EPS (Rs)	13.7	13.1	16.1	21.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	43,420	59,850	64,912	71,163
Tangibles	43,420	59,850	64,912	71,163
Intangibles	-	-	-	-
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	43,420	59,850	64,912	71,163
Tangibles	43,420	59,850	64,912	71,163
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	37,730	42,670	42,676	42,682
Non-Current Investments	20	30	30	30
Net Deferred tax assets	500	(370)	(370)	(370)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,040	1,060	1,741	2,237
Trade receivables	5,888	9,945	7,774	9,908
Cash & Bank Balance	15,650	12,860	15,296	24,590
Other Current Assets	-	-	-	-
Total Assets	1,03,748	1,26,415	1,32,429	1,50,610
Equity				
Equity Share Capital	80,700	92,950	1,06,408	1,24,685
Other Equity	-	-	-	-
Total Network	80,700	92,950	1,06,408	1,24,685
Non-Current Liabilities				
Long Term borrowings	6,820	11,770	9,770	7,770
Provisions	-	-	-	-
Other non current liabilities	4,400	4,610	4,610	4,610
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,955	8,069	9,358	12,022
Other current liabilities	2,482	6,046	(686)	(1,448)
Total Equity & Liabilities	1,03,748	1,26,415	1,32,430	1,50,610

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	13,370	16,610	19,302	26,248
Add. Depreciation	2,600	2,840	3,408	3,749
Add. Interest	390	(380)	(500)	(1,000)
Less Financial Other Income	-	-	-	-
Add. Other	-	-	-	-
Op. profit before WC changes	16,360	19,070	22,210	28,997
Net Changes-WC	(1,128)	(4,078)	1,490	(2,630)
Direct tax	300	(3,160)	(3,667)	(5,250)
Net cash from Op. activities	15,532	11,832	20,033	21,118
Capital expenditures	(4,200)	(16,000)	(10,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	-	(1,089)	(1,089)	(1,089)
Net Cash from Invt. activities	(4,200)	(17,089)	(11,089)	(11,089)
Issue of share cap. / premium	-	-	-	-
Debt changes	(2,360)	4,950	(2,000)	(2,000)
Dividend paid	-	(970)	(2,177)	(2,721)
Interest paid	(390)	380	500	1,000
Others	918	(1,894)	(2,831)	2,985
Net cash from Fin. activities	(1,832)	2,466	(6,508)	(736)
Net change in cash	9,500	(2,790)	2,436	9,293
Free Cash Flow	11,332	(4,168)	10,033	11,118

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	13.7	13.1	16.1	21.6
CEPS	16.4	16.1	19.6	25.5
BVPS	83.1	95.6	109.5	128.3
FCF	11.7	(4.3)	10.3	11.4
DPS	1.1	1.0	2.2	2.8
Return Ratio(%)				
RoCE	16.8	16.9	17.0	20.3
ROIC	15.6	14.3	16.1	20.0
RoE	18.5	15.5	15.7	18.2
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.0	(0.1)	(0.1)
Net Working Capital (Days)	0	16	1	0
Valuation(x)				
PER	58.7	61.1	49.9	37.2
P/B	9.7	8.4	7.3	6.3
P/CEPS	49.1	50.0	41.0	31.5
EV/EBITDA	47.1	40.9	34.9	26.3
EV/Sales	13.1	11.4	9.8	7.5
Dividend Yield (%)	0.1	0.1	0.3	0.3

Source: Company Data, PL Research

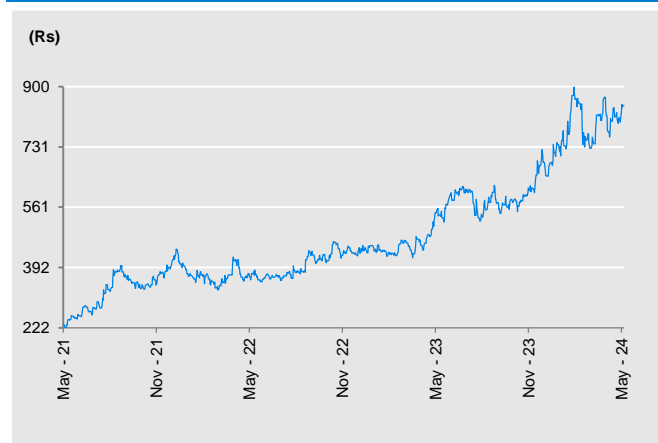
Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	16,220	17,190	16,820	17,910
YoY gr. (%)	16.7	16.8	14.9	16.0
Raw Material Expenses	6,500	6,670	6,500	7,070
Gross Profit	9,720	10,520	10,320	10,840
Margin (%)	59.9	61.2	61.4	60.5
EBITDA	4,290	4,850	4,650	4,940
YoY gr. (%)	16.9	21.3	14.8	15.2
Margin (%)	26.4	28.2	27.6	27.6
Depreciation / Depletion	640	660	700	840
EBIT	3,650	4,190	3,950	4,100
Margin (%)	22.5	24.4	23.5	22.9
Net Interest	(30)	(170)	(140)	(40)
Other Income	70	130	60	90
Profit before Tax	3,750	4,490	4,150	4,230
Margin (%)	23.1	26.1	24.7	23.6
Total Tax	660	910	730	870
Effective tax rate (%)	17.6	20.3	17.6	20.6
Profit after Tax	3,090	3,580	3,420	3,360
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,900	3,390	3,380	3,110
YoY gr. (%)	27.2	(33.7)	25.7	(2.5)
Margin (%)	17.9	19.7	20.1	17.4
Extra Ord. Income / (Exp)	190	190	40	250
Reported PAT	3,090	3,580	3,420	3,360
YoY gr. (%)	29.3	28.8	19.2	6.0
Margin (%)	19.1	20.8	20.3	18.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,090	3,580	3,420	3,360
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	3.2	3.7	3.5	3.5

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-24	BUY	925	805
2	01-Feb-24	BUY	925	799
3	08-Jan-24	BUY	675	715
4	07-Nov-23	BUY	675	601
5	07-Oct-23	BUY	610	561
6	09-Aug-23	BUY	610	560
7	06-Jul-23	BUY	565	614

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,259
2	Aster DM Healthcare	BUY	515	457
3	Aurobindo Pharma	Accumulate	1,120	1,124
4	Cipla	Accumulate	1,405	1,340
5	Divi's Laboratories	Reduce	3,150	3,748
6	Dr. Reddy's Laboratories	Reduce	5,700	6,258
7	Eris Lifesciences	BUY	1,100	908
8	Fortis Healthcare	BUY	480	437
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	368
11	Indoco Remedies	Accumulate	335	320
12	Ipca Laboratories	Hold	1,060	1,315
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,774
14	Jupiter Life Line Hospitals	BUY	1,360	1,275
15	Krishna Institute of Medical Sciences	BUY	2,100	1,950
16	Lupin	Hold	1,675	1,611
17	Max Healthcare Institute	BUY	925	805
18	Narayana Hrudayalaya	BUY	1,435	1,286
19	Sun Pharmaceutical Industries	BUY	1,710	1,539
20	Suntech Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,700	2,577
22	Zydus Lifesciences	Accumulate	1,130	1,104

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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