

INITIATING COVERAGE

GLOBAL HEALTH LTD



Highest-Standard Care; High Complexity Work

We initiate coverage on Global Health Ltd (MEDANTA) with a **BUY** recommendation and **DCF-based Target Price (TP)** of Rs 1,475/share (EV/EBITDA of 26.5x FY27E EBITDA), implying an upside of 25% from the CMP. MEDANTA boasts a robust Brand Equity, established by Dr. Trehan, a globally recognized cardiovascular and cardiothoracic surgeon. The company has fortified its position with a strong moat, providing the highest standard of care and specializing in high-complexity work. A diverse revenue mix, notably from complex specialties like Cardiac, Digestive, Oncology, and Neuro (constituting 59% of overall revenue), contributes significantly to its financial profile. Additionally, the Institute of Liver Transplantation, Kidney and Urology, Orthopedics, and Internal Medicine involve intricate procedures, further propelling the company's topline growth.

Recognized for Clinical Expertise, especially in dealing with complicated cases

MEDANTA has established a formidable competitive advantage by delivering the highest standard of care, emphasizing intricate medical procedures. The sizable Cardiac department, constituting 23% of the overall portfolio, specializes in daily cardiac surgeries addressing 20%-25% heart functioning — a level of complexity beyond the capabilities of many others. Operating on a doctor-led model, the Heart Team, comprising Clinical Cardiologists, Heart Surgeons, and Intravenous Cardiac specialists, undertakes high-complexity procedures such as valve replacement, triple bypass, and routine bypass surgeries. This focus on intricate work has significantly reduced the mortality rate to less than 3%, down from 20% a decade ago.

In the field of Oncology, specialized oncologists collaborate to address the complexity of cancer, which often involves multiple organs. The country's structural demand for high-quality healthcare positions MEDANTA for robust revenue growth over an extended period.

ARPOB to Improve led by Complex Specialties/international patients/Payer Mix

- **MEDANTA's ARPOB Set for a 4.6% CAGR over FY24 to FY27E:** We anticipate that MEDANTA's Average Revenue Per Occupied Bed (ARPOB) could achieve a CAGR growth of 4.6%, driven by a significant proportion of complex specialties and an uptick in the volume of international patients from FY24 to FY27E. The enhancement of Complex Specialties, including an increase in high-revenue tertiary treatments such as transplants, contributes to the improvement in ARPOB.
- **International Patient Rebound:** Despite a dip in revenue from international patients to 4% during the Covid-19 phase, it has rebounded to 6% of overall revenue in FY24, with expectations to reach 8%-10% over the next three years. Furthermore, the insurance segment's contribution to revenue is projected to increase to 30% in FY27E from 26% in FY24. The combined incremental revenue from international patients and the Insurance Segment is poised to contribute 350-400 basis points to the overall revenue growth of the company.

Capacity Expansion by 1.4x across Existing and New Facilities

MEDANTA is strategically positioned for significant growth and plans to achieve a 1.4x capacity expansion across existing facilities from the current total bed capacity of 2,823. The company aims to add ~1,394 beds in the next three years. Additionally, the introduction of new facilities in Lucknow, Patna, and Noida is expected to contribute 329, 290, and 500 incremental beds respectively, bringing the total count to nearly 4,000 by FY27E.

Strong Cash Flow Generation, FCFF/EBITDA in the range of ~60%

MEDANTA has a strong FCFF/EBITDA conversion ratio of ~60% which is the highest in the industry. This makes it capable of funding the upcoming expansion plans internally. MEDANTA could generate FCFF of Rs 900-Rs 1,000 Cr per year after incurring a minimal Capex of Rs 300 Cr per year over the next 3 years. Its RoIC is expected to improve by 800bps till FY26E vs. FY23 levels.

Key Financials (Consolidated)

Y/E Mar, Rs. Cr	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	2,694	3,275	3,914	4,620	5,251
EBITDA	621	829	1,010	1,215	1,392
Net Profit	326	478	628	782	908
EPS	12.2	17.8	23.4	29.2	33.9
PE (x)	97.1	66.2	50.4	40.5	34.8
P/BV (x)	13.0	10.9	9.0	7.3	6.1
EV/ EBITDA	50.1	37.8	30.3	24.6	20.8
RoE (%)	13.4	16.5	17.8	18.1	17.4

Source: company, Axis Research

(CMP as of May 31, 2024)

CMP (Rs)	1,180
Upside /Downside (%)	25%
High/Low (Rs)	1,513/577
Market cap (Rs Cr)	3,2000
Avg. daily vol. (6m) Shrs (Cr).	3,92.872
No. of shares (Cr)	26.82

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	33.1	33.1	33.0
FII's	10.7	11.4	12.1
MFs / UTI	8.2	8.6	8.3
Banks / FI's	0.0	0.0	0.0
Others	48.0	47.0	46.6

Financial & Valuations

Y/E Mar (Rs Bn)	FY24	FY25E	FY26E
Net Sales	3,275	3,914	4,620
EBITDA	829	1,010	1,215
Net Profit	478	628	782
EPS (Rs)	17.8	23.4	29.2
PER (x)	66.2	50.4	40.5
EV/EBITDA (x)	10.9	9.0	7.3
P/BV (x)	37.8	30.3	24.6
ROE (%)	16.5	17.8	18.1

Key Drivers (%) (Growth in %)

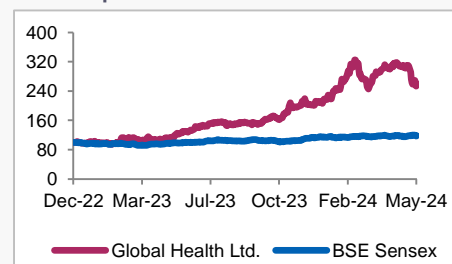
Y/E Mar	FY24	FY25E	FY26E
Net Sales	22%	20%	18%
EBITDA	34%	22%	20%
Net Profit	47%	31%	25%

ESG disclosure Score**

Environmental Disclosure Score	NA
Social Disclosure Score	NA
Governance Disclosure Score	NA
Total ESG Disclosure Score	NA

Source: Bloomberg, Scale: 0.1-100
**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: AceEquity, Axis Securities

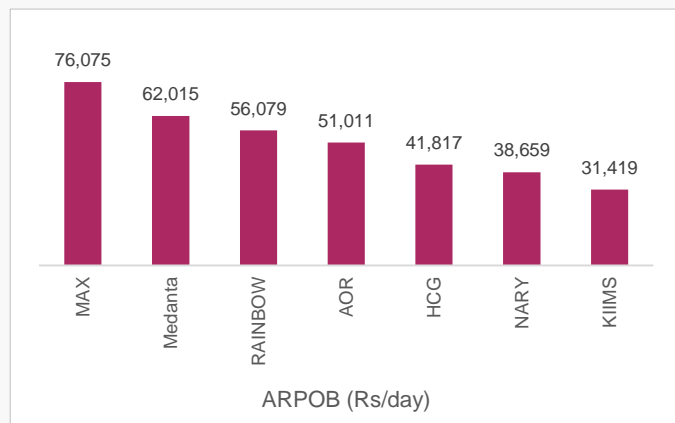
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Story in Charts

Exhibit 1: MEDANTA offers Highest Standard-Care including high complexity of work, leading to one of the highest ARPOB among peers



Source: Company, Axis Securities

Exhibit 2: Industry AROPOB to record a 3%-4% growth in the next two years

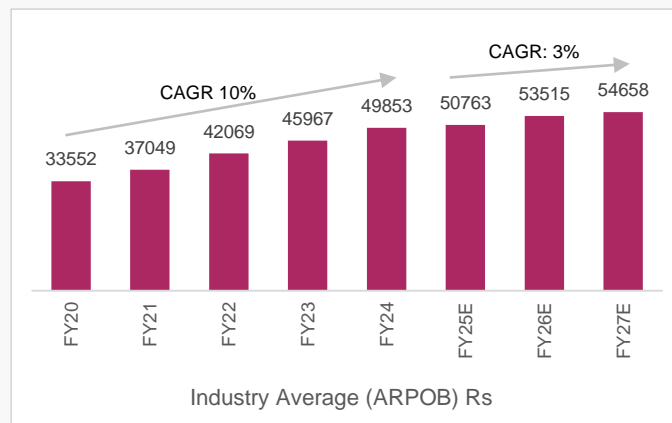
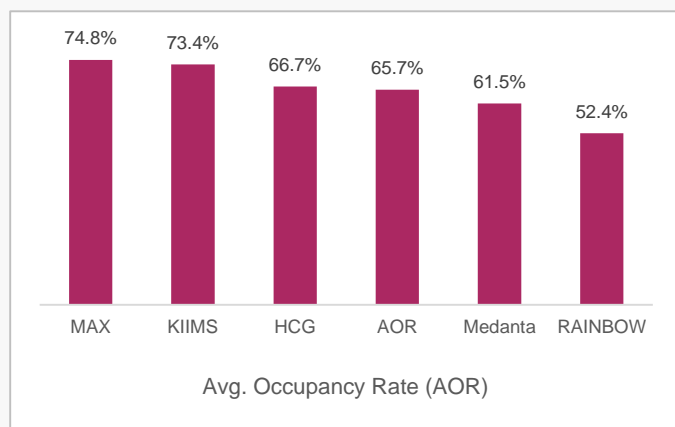


Exhibit 3: MEDANTA' occupancies showing improvement with the increase in patient volume after COVID-19, increases in international patients, and Payer Mix tilted towards the Insurance segment



Source: Company, Axis Securities

Exhibit 4: The occupancy levels are expected to remain range-bound but strong at 62-65% even on the higher bed base on the back of increasing health awareness, insurance penetration, chronic surgeries, and medical tourism

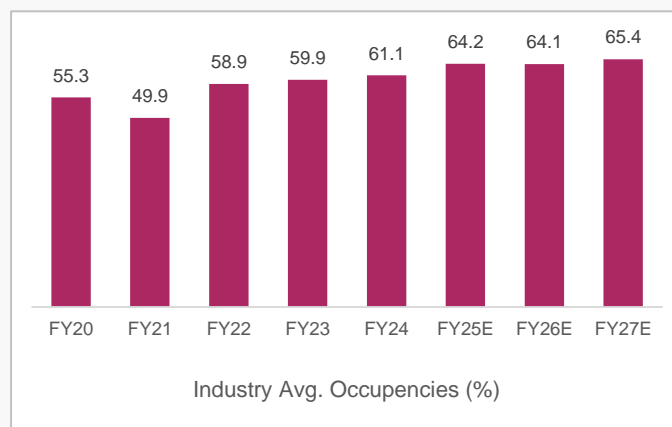
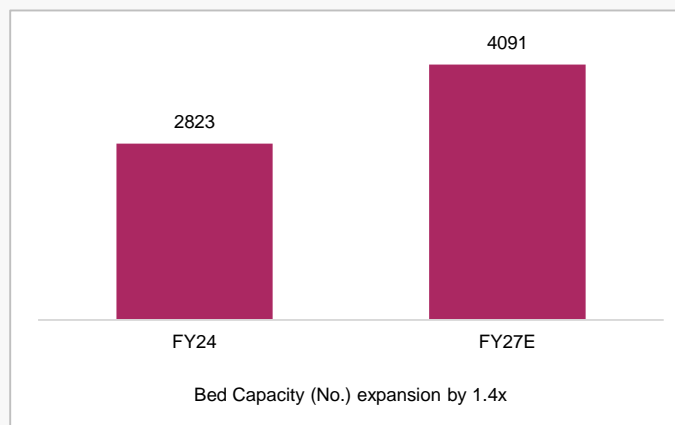
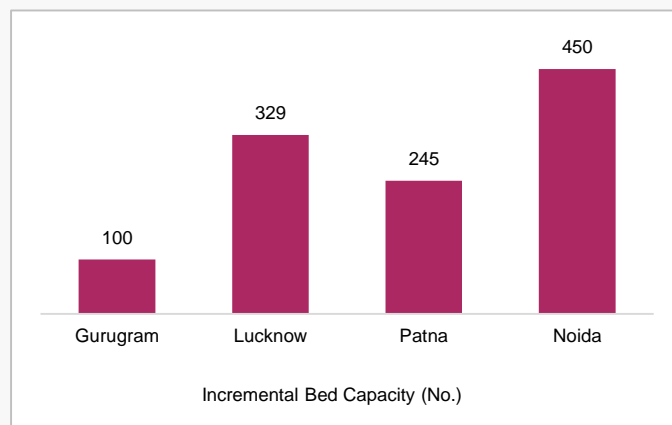


Exhibit 5: MEDANTA has planned capacity expansion by 1.4x across existing facilities from a current total bed capacity of 2,823 to ~4091 by FY27E



Source: Company, Axis Securities

Exhibit 6: Planned bed addition of ~1,119 beds; new facilities like Lucknow, Patna, and Noida could add incremental 329, 290, and 500 beds in the next 3 years



Company Background

Tertiary and Quaternary Care Provider in India

MEDANTA is one of the largest private Multi-Specialist Tertiary Care providers operating in North and East India, with key specialities in cardiology, neurosciences, oncology, digestive and hepatobiliary sciences, orthopaedics, liver transplant, and kidney and urology. It has a network of five hospitals currently in operation (Gurugram, Indore, Ranchi, Lucknow and Patna) and one hospital (Noida) under construction.

Spanning an area of 4.7 Mn sq. ft., its operational hospitals have 2,725 installed beds. The company provides healthcare services in over 30 medical specialities and engages over 1,600+ doctors led by highly experienced department heads.

MEDANTA is one of the largest private Multi-Specialist Tertiary Care providers operating in North and East India, with key specialities in cardiology, neurosciences, oncology, digestive and hepatobiliary sciences, orthopaedics, liver transplant, and kidney and urology.

Exhibit 7: Spanning an area of 4.7 Mn sq. ft., its operational hospitals have 2,725 installed beds; Flagship facility MEDANTA Gurugram established in 2009 comprises 1,391 beds.

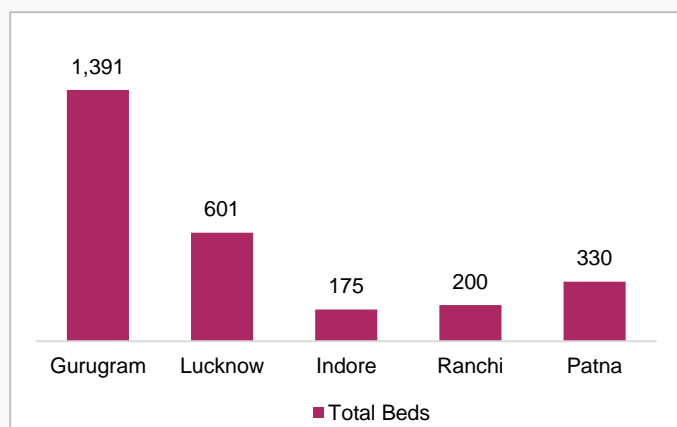
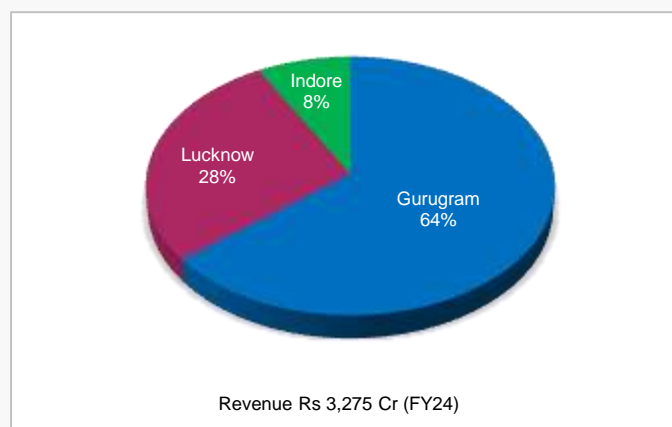


Exhibit 8: Matured Hospitals comprise 64% of overall revenue; Lucknow Hospital has turned EBITDA break-even in its first full year of operations.



Source: Company, Axis Securities

Competitive Strengths

Recognized for Clinical Expertise, especially in Dealing with Complicated Cases – a Doctor-Led Model

MEDANTA has established a robust Brand Equity under the guidance of Dr. Trehan, a globally renowned cardiovascular and cardiothoracic surgeon. Dr. Trehan, who pursued Cardiac Surgery at New York University in 1979, returned to India in 1988. He played a pivotal role in building the Escorts Heart Institute, one of the world's largest heart institutes, and trained numerous cardiologists and surgeons. After achieving excellence in Cardiac care, Dr. Trehan envisioned providing the best care across all specialties on a unified platform. This vision materialized with the establishment of MEDANTA in 2009, aligning it with world-class institutes like the Mayo Clinic, Cleveland Clinic, and Johns Hopkins.

Recognizing his outstanding contributions, Dr. Trehan has received prestigious awards such as the Padma Bhushan and the Padma Shri in India for his remarkable service and dedication to the field of medicine

The significant Cardiac department, constituting 24% of the overall portfolio, conducts daily cardiac surgeries addressing 20%-25% heart functioning—an undertaking beyond the capacity of many others.

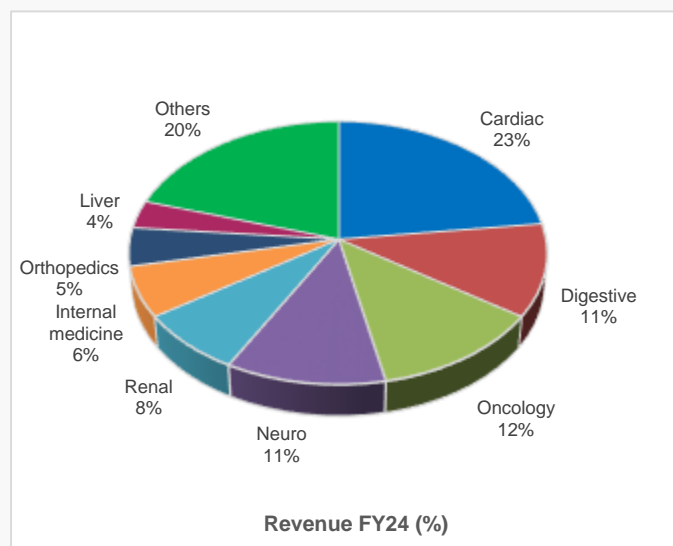
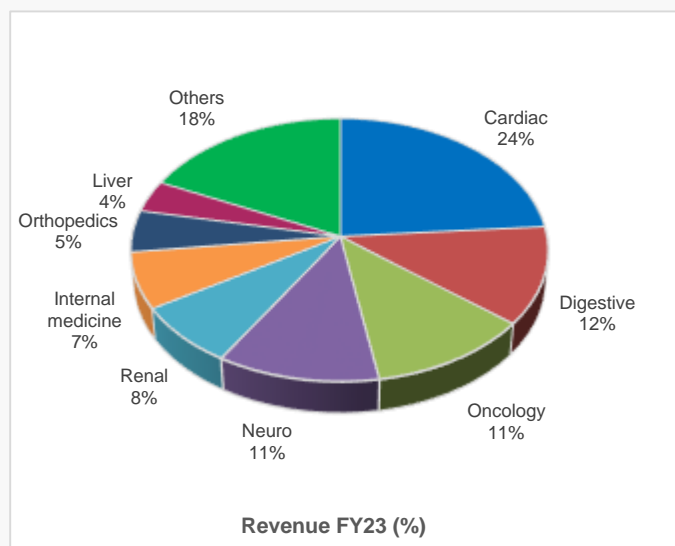
Setting Industry Benchmarks: Competitive Edge in High-Complexity Healthcare

MEDANTA has established a formidable competitive advantage by providing the highest standard of care, specializing in high-complexity work. The significant Cardiac department, constituting 24% of the overall portfolio, conducts daily cardiac surgeries addressing 20%-25% heart functioning—an undertaking beyond the capacity of many others. Operating on a Doctor Led-Model, the Heart Team, comprising Clinical Cardiologists, Heart Surgeons, and Intravenous Cardiac specialists, manages intricate procedures such as valve replacement, triple-bypass, and routine bypass surgeries. This high complexity of work has substantially reduced the mortality rate to less than 3%, down from 20% a decade ago.

Strategic Specialization: MEDANTA's Robust Revenue Growth Anchored in Oncology, Multi-Organ Collaborations, and Diverse High-Complexity Specialties

In Oncology, specialized oncologists collaborate across various organs, recognizing the multi-organ nature of cancer. The country's structural demand for high-quality healthcare positions MEDANTA for robust revenue growth over an extended period. Moreover, it has established a diverse revenue mix with significant contributions from complex specialties like Cardiac, Digestive, Oncology & Neuro (58% of overall revenue). Furthermore, the Institute of Liver Transplantation, Kidney and Urology, Orthopedics and Internal Medicine involve high complexity of work, helping the company in drive topline.

Exhibit 9: Diverse Revenue Mix with Significant Contribution from Complex Specialties like Cardiac, Digestive, Oncology & Neuro (59% of overall revenue)



Source: Company, Axis Securities

Institute of complex specialties with dedicated verticals

Institute	Details
Heart Institute	<ul style="list-style-type: none"> • 'Heart Team' approach ensures that the patient receives the benefit of comprehensive advice
Cancer Institute	<ul style="list-style-type: none"> • Vision of being a one-stop destination of solutions for all cancer patients
Institute of Digestive and Hepatobiliary Sciences	<ul style="list-style-type: none"> • Quality diagnostic and therapeutic services for any disorder associated with the digestive tract, pancreas and liver
Internal Medicine Division	<ul style="list-style-type: none"> • Therapeutic treatments, as well as preventive care, and counselling on the modification of one's lifestyle
Institute of Neurosciences	<ul style="list-style-type: none"> • Specialised clinics for brain tumours, spinal disorders, stroke, epilepsy, movement disorders and headaches
Kidney and Urology Institute	<ul style="list-style-type: none"> • Care in all areas of nephrology with dialysis, transplant and chronic kidney disease treatments
Institute of Liver Transplantation and Regenerative Medicine	<ul style="list-style-type: none"> • Liver transplantation and a high-volume referral center for complex non-transplant liver and biliary surgery
Institute of Musculoskeletal Disorders and Orthopedics	<ul style="list-style-type: none"> • Multidisciplinary team focused on all types of musculoskeletal conditions

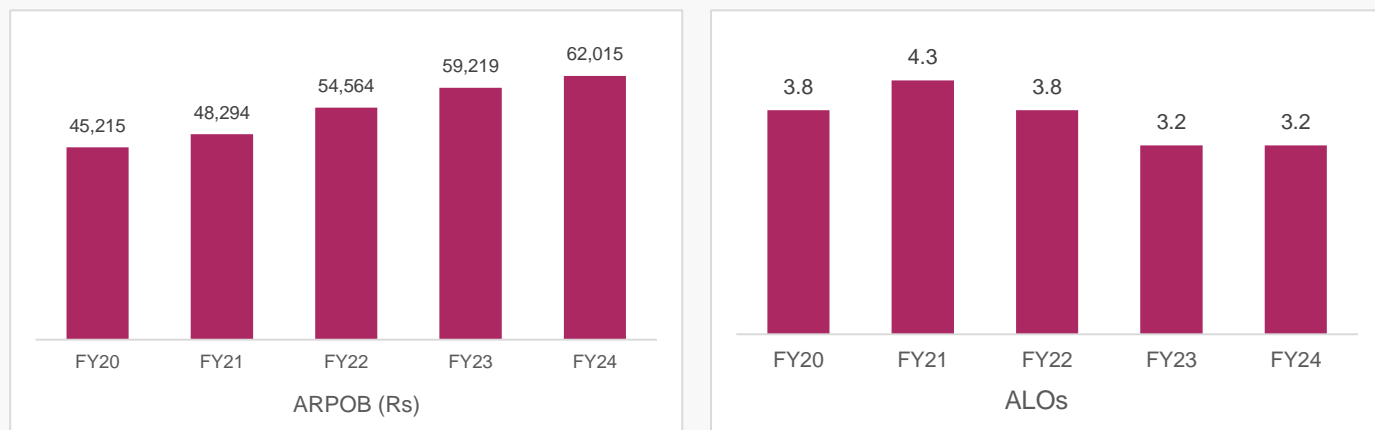
Source: company, Axis Securities Research

Infrastructure Designed as per Global Standards to Deliver the Highest End-of-care

MEDANTA's five facilities collectively house 637 ICU beds, constituting 24% of the total operational beds, along with 69 operation theatres (OTs). These ICU beds and OTs are dedicated to high-end work, supporting a high Average Revenue Per Occupied Bed (ARPOB) and maintaining a low Average Length of Stay (ALOS) for the company. The seamless connectivity between doctors and patients is ensured by integrating inpatient and outpatient areas on the same floor.

Maintaining a substantial square-foot-to-bed ratio across all hospitals optimizes the utilization of space. Furthermore, patient well-being is prioritized by incorporating natural light and viewing windows into every patient space possible, fostering a visual connection to the outside environment.

Exhibit 10: Critical Care Excellence: MEDANTA's Five Facilities Boast 24% ICU Bed Proportion and 69 High-End Operation Theaters Enhancing ARPOB and Reducing Average Length of Stay (ALOS)



Source: Company, Axis Securities

High Standard of Care Enabled by Sophisticated and Latest Technology

Institute	Details
Artis-ZeegoEndovascular Surgical Cath Lab	<ul style="list-style-type: none"> Enables cardiologists and surgeons to work together on complex procedures such as aortic dissections
CyberknifeVSI Robotic Radiosurgery System	<ul style="list-style-type: none"> Non-invasive alternative to surgery for the treatment of both cancerous and non-cancerous tumours
256-Slice CT	<ul style="list-style-type: none"> Advanced alternative to other diagnostics for conventional angiographies for evaluating coronary artery disease
Da Vinci Robotic System	<ul style="list-style-type: none"> Enables surgeons to perform delicate and complex minimally invasive surgeries
FemtoLaser Cataract Suite	<ul style="list-style-type: none"> Developed to assist in cataract refractive procedures with optimal results
3-Tesla MRI	<ul style="list-style-type: none"> Higher field strength than the conventional 1.5 Tesla, which provides improved perfusion imaging, myocardial tagging and MR angiography
Biplane Cath Lab	<ul style="list-style-type: none"> Used for highly advanced cranial procedures
Brain SUITE	<ul style="list-style-type: none"> State of the art Neurosurgery operating theater which includes an MRI inside the OT

Source: company, Axis Securities Research

Numerous awards at a National and International level for Gurugram Hospital

The Medicity Hospital is the largest hospital of the group and was ranked as the best private hospital in India for two consecutive years in 2022 and 2023. It was the only private hospital from India to feature in the top 200 global hospitals in 2023, per Newsweek. It also ranked among the best cardiology hospitals in the world in 2023, per Newsweek.



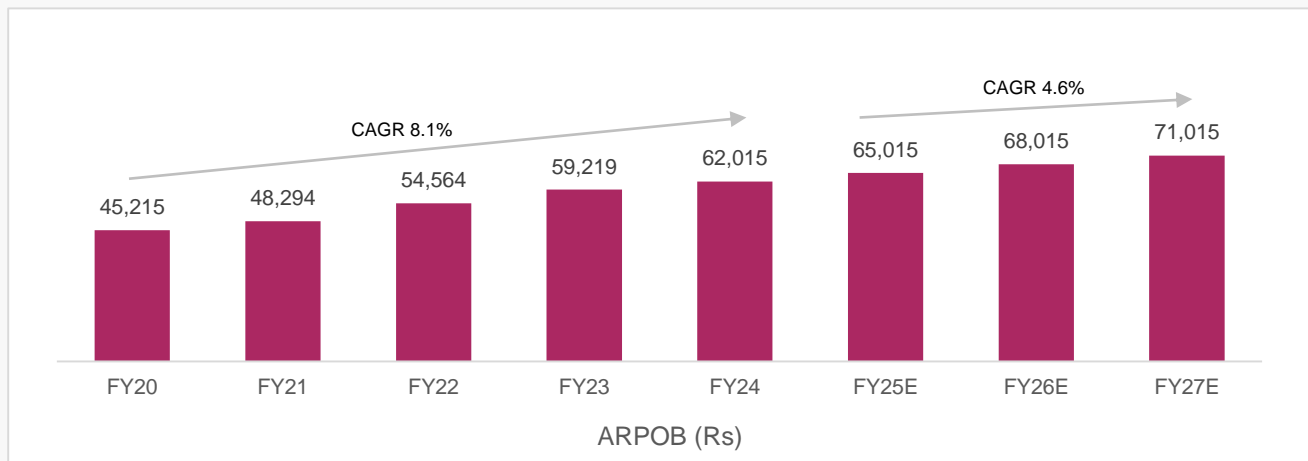
Source: company, Axis Securities Research

ARPOB to Improve led by Complex Specialities/international patients/Payer Mix

We believe MEDANTA' ARPOB could deliver CAGR growth of 4.6%, which will be led by a high proportion of Complex Specialities and an increase in volume of international patients over FY24-27E. MEDANTA has improved its Complex Specialities by increasing the number of higher revenue tertiary treatments such as transplants, leading to ARPOB improvement. The revenue of international patients dropped to 4% of overall revenue during the Covid-19 phase. It has picked up to 6% of overall revenue in FY24 and is expected to be in the range of 8%-10% over the next 3 years. The strong brand equity of Dr. Trehan and Delhi being well connected globally is driving the volume of international patients.

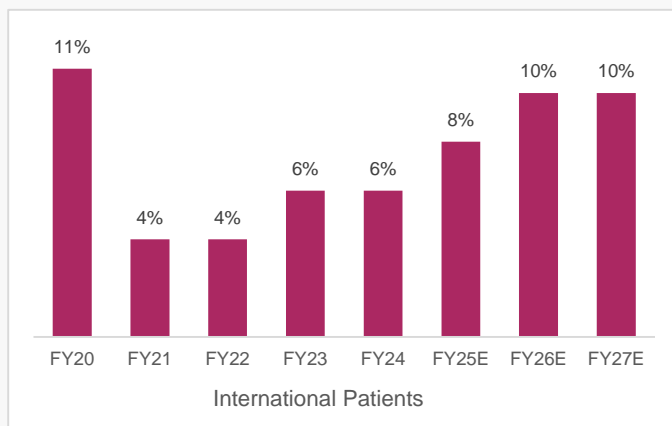
We expect revenue from the insurance segment to rise as more people get under the insurance umbrella, led by increased awareness towards health, better access to healthcare, and government programs such as the Ayushman Bharat scheme, etc. We expect the insurance segment contribution in revenue to increase to 30% in FY27E from 26% in FY24. It is expected that incremental revenue from international patients and the Insurance Segment could add incremental topline growth by 350-400bps to the overall revenue of the company.

Exhibit 11: We believe MEDANTA' ARPOB could deliver a CAGR of 4.6% led by a high proportion of Complex Specialities and an increase in the volume of international patients over FY24-27E



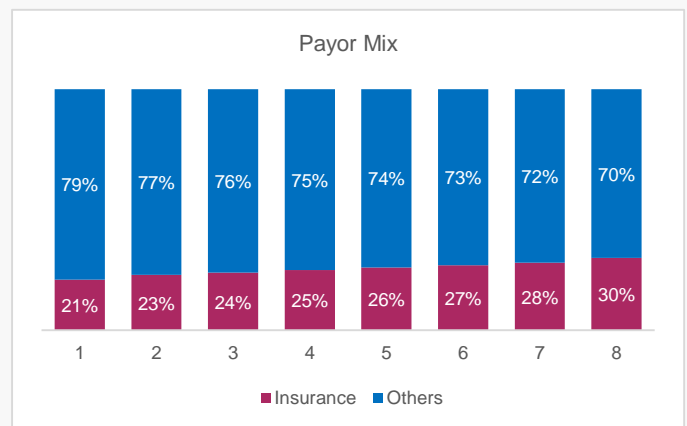
Source: Company, Axis Securities

Exhibit 12: The revenue of international patients dropped to 4% of overall revenue during the Covid-19 phase, increased to 6% in FY24 and is expected to be in the range of 8%-10% over next the 3 years



Source: Company, Axis Securities

Exhibit 13: Strategic Revenue Shift: Anticipating the Insurance Segment's Contribution to Surge to 30% by FY27E, Adding Significant Topline Growth



Key Growth Drivers

Capacity Expansion by 1.4x Across Existing Facilities along with Commissioning of New Facility

MEDANTA, a major private Multi-Specialty Tertiary Care provider in North and East India, is poised for significant growth. The company has outlined plans for a substantial 1.4x capacity expansion across its existing facilities, intending to augment the current total bed capacity of 2,725 over the FY23-FY26E period. This expansion strategy involves adding ~ 1,124 beds in the next three years. Additionally, the introduction of new facilities in Lucknow, Patna, and Noida is expected to contribute 329, 245, and 450 incremental beds, respectively, within the same three-year

MEDANTA Plans 1.4x Capacity Expansion, Targeting 4,091 Beds by FY27E

Lucknow and Patna Hospitals Poised for Growth

The Lucknow hospital, having received substantial investments, holds considerable potential for medium-term growth and profit margin expansion. Benefiting from the track record and experience of mature hospitals, this facility is poised for success. The addition of ~ 619 beds across the developing hospitals in Lucknow and Patna further contributes to the growth trajectory. Furthermore, the upcoming Noida facility, expected to commence operations in FY25E, is anticipated to have 500 beds at end of FY27E. These developments collectively aim to increase the total bed count to nearly 4,091 by FY27E, reflecting the company's strategic expansion efforts.

Exhibit 14: Strategic Growth Initiative: MEDANTA Plans 1.4x Capacity Expansion, Targeting 4,091 Beds by FY27E

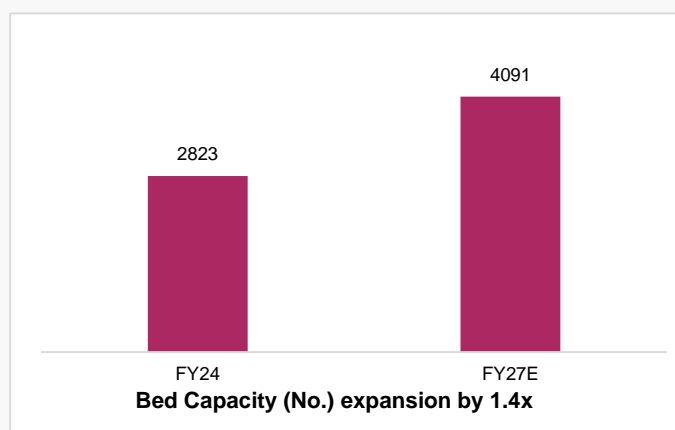
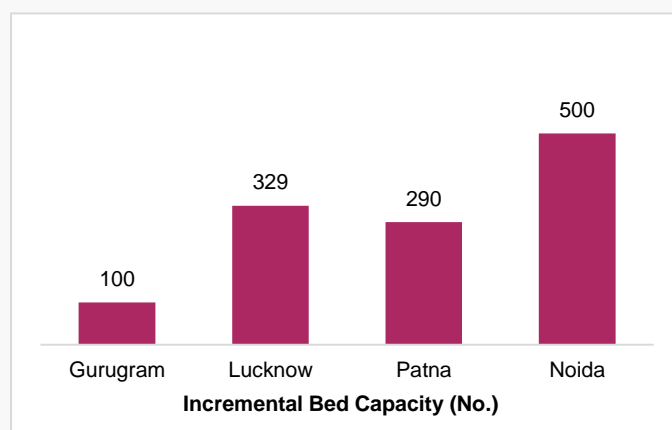


Exhibit 15: Future Bed Expansion: MEDANTA Plans to Add ~1,219 total Beds out of which New Facilities in Lucknow, Patna, and Noida, Enhancing Capacity by 1,119 Beds in the Next 3 Years



Source: Company, Axis Securities

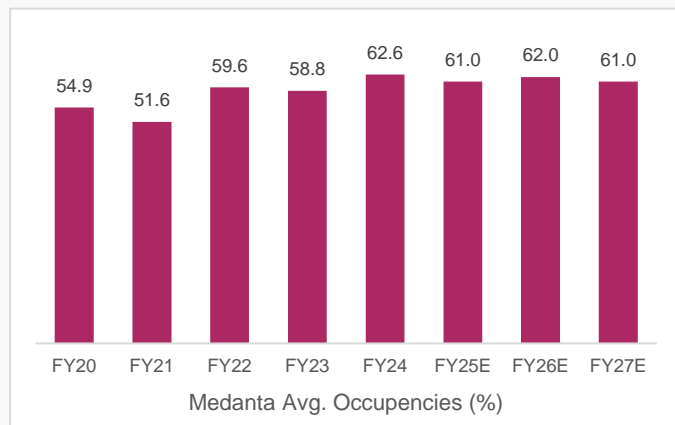
Anticipated Occupied Bed Days Surge by 12.9% over FY23-FY26E

The incremental bed capacity along with improvement in occupancies is the next level of growth for MEDANTA. We expect Occupied Bed Days CAGR 12.9% led by increased bed capacity, increase in international volume and high proportion of insurance over the period FY23-FY26E. It is expected that incremental revenue from international patients and the Insurance Segment could add incremental topline growth by 350-400 bps to the overall revenue of the company. Patna and Ranchi facilities are operating at current occupancies in the range of 45%-46% which could reach to 60%-62% in the next three years and could add growth to Occupied Bed Days over the next three years. International patients comprise 6% of overall revenue could increase it to 10%-12% which will help to improve occupancies as well ARPOB. A higher proportion of insurance is a major factor in improving occupancies over a longer period of time.

Lucknow and Patna as Key Markets, Bridging Healthcare Gaps in the Region

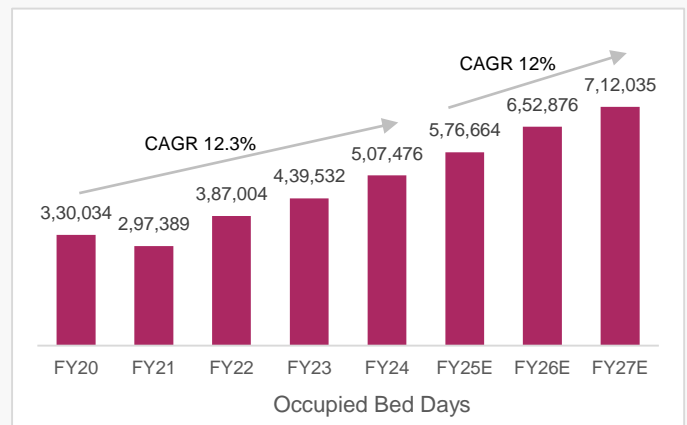
Lucknow city is the medical hub in UP where major hospitals are present to cater to the patients coming from surrounding areas such as Eastern UP, and Bihar in addition to Nepal, and Bhutan. Currently, patients from within 200 km of Lucknow such as Kanpur, Prayagraj, Ayodhya, Amethi and other areas visit hospitals in metros like Delhi. On average, patients from these cities need to travel 570km to Delhi to get treatment in a super-speciality hospital such as MEDANTA. Patna is a huge market for cardiac and cancer care with not many super specialists. Patna does not have big hospitals and lacks high-quality services for treatment of patients. This provides a major opportunity for big players such as MEDANTA to tap this market and make their presence felt in the region.

Exhibit 16: Patna and Ranchi facilities are operating at current occupancies in the range of 45%-46% which could reach to 60%-62% in the next three years and could add growth to Occupied Bed Days over the next three years.



Source: Company, Axis Securities

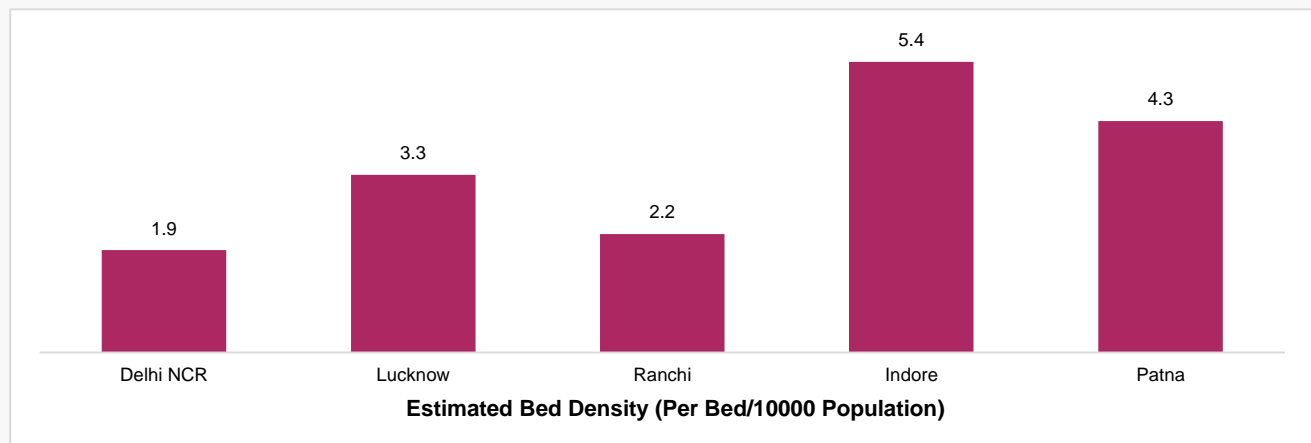
Exhibit 17: We expect Occupied Bed Days CAGR of 12.0% led by incremental bed capacity, an increase in international volume and a high proportion of insurance over the period FY24-FY27E.



MEDANTA's Growing Presence in Under-Served Areas with High Population Density

MEDANTA Gurugram's well-developed hospital infrastructure tends to attract patients not only from other cities and towns within the state but also from the neighbouring states. Lucknow caters to the demand for quality healthcare in central and eastern Uttar Pradesh as well as parts of Bihar and Nepal. Ranchi serves large catchment areas in Jharkhand. Indore provides high-quality medical services to central India. Patna Intends to capture what MEDANTA expects to be a sizeable healthcare demand from North-east India, parts of Jharkhand and Nepal.

Exhibit 18: Strategic Expansion: MEDANTA's Growing Footprint in Under-Served High-Density Areas, Unveiling Untapped Potential in International Benchmarks



Source: Company, Axis Securities

A Large Market Opportunity with Private Hospitals Driving Growth

The Indian healthcare industry is poised for a significant transformation, propelled by fundamental growth drivers. Amid robust demand for quality healthcare and increasing occupancy levels, industry players are strategically announcing capacity expansions in both greenfield and brownfield projects.

Hospital Industry set to add ~40% incremental bed capacities over the next 4-year period; incremental volume growth to pick up in FY26

Company	FY23	FY-24-27E
Apollo	8,544	2,285
Fortis	4,369	1,400
MAX	3,502	2,580
NARY	5,714	1,200
KIMS	3,940	1,715
HCG	2,200	391
RAINBOW	1,655	930
ASTER DM	4,033	1,479
MEDANTA	2,755	1,328
YATHARTH	1,405	1,050
SHALBY	2,232	300
JUPITER	961	500

Source: company, Axis Securities Research

Healthy Financial Landscape

As the balance sheets and leverage positions of hospital players have markedly improved in recent years, with the sector's Net Debt-to-EBITDA decreasing from ~3.5x in FY17/18 to ~0.5x in FY23, it is anticipated that most companies will finance capacity expansions primarily through internal accruals. The robust operating cash flow (OCF) generation for the sector, expected to be ~1.5 times the annual capital expenditure spent, further supports this funding strategy.

Surging Health Insurance Adoption and Focus on High-End Specialties

After Covid-19, rising awareness of insurance benefits led to more people opting for health insurance and the hospitals have been focusing on high-end specialty treatment such as oncology, transplant and neurology. We expect that the industry will record a 5%-6% growth going forward in AROPOB for the next two years.

Exhibit 19: MEDANTA offers Highest Standard-Care including high complexity of work led to one of the highest ARPOB among peers.

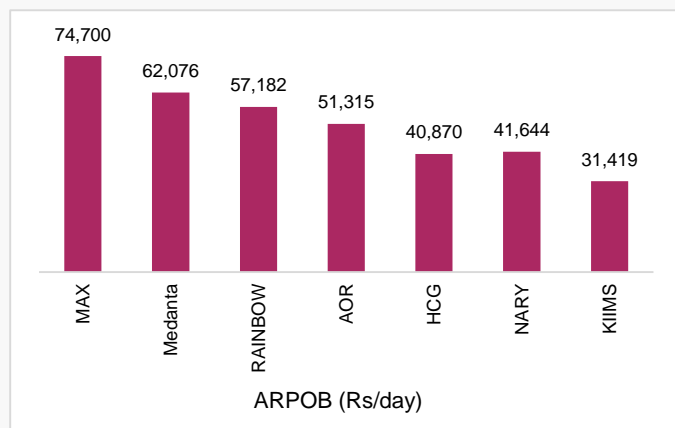
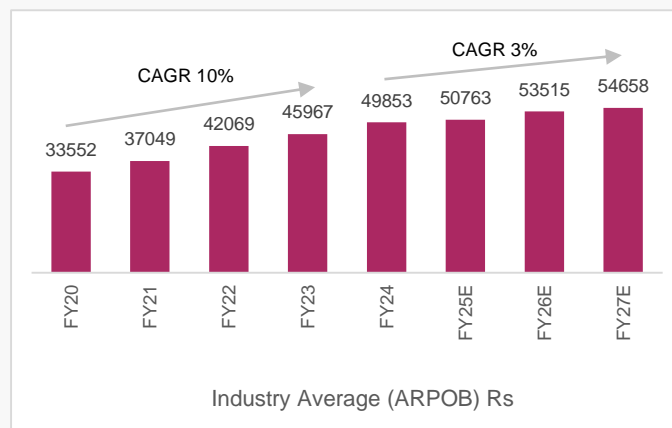


Exhibit 20: We expect that the industry will record a 3%-4% growth going forward in AROPOB for the next 3 years.



Source: Company, Axis Securities

Growing Health Awareness, Increased Insurance Penetration, and Rising Medical Tourism

The occupancy levels are, however, expected to remain range bound but strong at 62-66% even on the higher bed base on the back of rising awareness for health, deeper insurance penetration, rising chronic ailments/surgeries and medical tourism gaining traction. Occupancies will get a further boost from medical tourism in India. In recent years, medical tourism in India has been on a gradual uptrend, given the relatively low cost of surgery, critical care, advanced technology hospitals, and e-medical visas. After witnessing a sharp fall in 2020 due to travel restrictions imposed during Covid-19, medical tourism has almost recovered back to pre-Covid levels in 2023 and is poised to grow further.

Exhibit 21: MEDANTA' occupancies showing improvement with the increase in patient volume after Covid-19, complex surgeries, increases in international patients, and Payer Mix tilted towards the Insurance segment

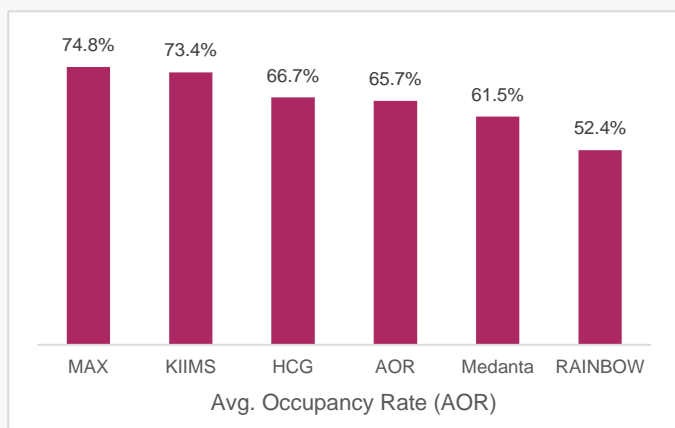
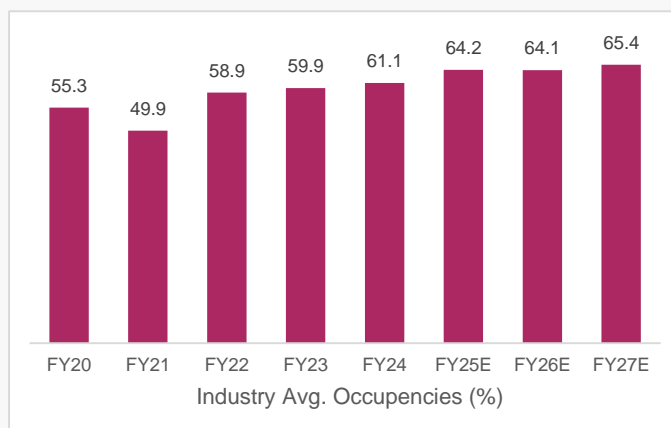


Exhibit 22: Anticipated Occupancy Levels of 62-66% Remain Strong, Fueled by Growing Health Awareness, Deeper Insurance Penetration, and Rising Medical Tourism



Source: Company, Axis Securities

Valuation & Outlook

We have applied the Discounted Cash Flow (DCF) method (EV/EBITDA 26.5x to FY27E EBITDA) to derive the Target Price (TP) of Rs 1,475/share. We assume 1) 10-year Cash Flow of Operations (CFO) CAGR 12%, 2) WACC: 10.0% 3) Terminal Growth: 7.5%.

MEDANTA has a strong FCFF/EBITDA conversion ratio of ~60% which is the highest in the industry and capable of funding the upcoming expansion plans. It could generate average FCFF of ~Rs 1,000 Cr per year after incurring a minimal Capex of Rs 300 Cr per year over the next 3 years. Its RoIC is expected to improve by 800 bps till FY26E compared to FY24 levels.

We have applied the Discounted Cash Flow (DCF) method (EV/EBITDA 26.5x to FY27E EBITDA) to derive the Target Price (TP) of Rs 1,475/share.

The Target Price (TP) of Rs 1475/per share by applying Discounted Cash Flow (DCF) method

(Rs Crore)	FY25E	FY26E	FY27E	FY28	FY29	FY30	FY31	FY32	FY33	FY34	Terminal Value
CFO	936	1,089	1,221	1,220	1,366	1,530	1,714	1,920	2,150	2,408	
Growth %	168.5%	16.4%	12.1%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	
Capex	-175	-350	-250	-100	-100	-100	-100	-100	-100	-100	
FCFF	761	739	971	1,120	1,266	1,430	1,614	1,820	2,050	2,308	92,328
WACC %	10.0%										
NPV	₹ 39,416										
TP (Rs)	₹ 1,475										
CMP (Rs)	₹ 1,180										
Upside (%)	25.0%										

Source: company, Axis Securities

Peer Comparison

	CMP (INR)	Mcap (INR Cr)	PE (X)				EV/EBITDA (x)				RoE (%)			
			FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Max Healthcare	756	73,210	53.7	44.2	37.7	32.0	38.6	30.1	26.4	22.6	15.6	15.1	16.9	19.2
AHEL	5,845	83,960	93.6	59.7	42.7	31.2	36.9	28.8	22.6	17.7	13.7	19.2	23.8	27.7
NH	1,185	24,155	31.0	30.0	25.0	22.3	21.0	19.0	16.0	15.0	31.5	28.3	25.5	24.6
KIMS	1,815	14,520	42.3	35.5	28.2	27.2	23.4	19.7	16.0	15.0	15.4	15.8	16.8	17.3
MEDANTA	1,180	31,683	66.2	50.4	40.5	34.8	37.8	30.3	24.6	20.8	16.5	17.8	18.1	17.4
Average				44.0	34.8	29.5	31.5	25.6	21.1	18.2	18.5	19.2	20.2	21.2

Source: company, Axis Securities

Robust Corporate Governance & A Deeply Experienced Management Team

Management Team	Details
Dr. Naresh Trehan <i>Chairman, Managing Director and Chief Cardiac Surgeon</i>	<ul style="list-style-type: none"> • Founder of MEDANTA & World renowned cardiovascular and cardiothoracic surgeon • Has been awarded the highly prestigious Padma Bhushan and the Padma Shri by the Government of India as well as the BC Roy award • Holds a bachelor's degree in medicine and surgery from the Faculty of Medicine, University of Lucknow and has been awarded a certificate in thoracic and cardiac surgery by the American Board of Thoracic Surgery
Pankaj Prakash Sahni <i>Group Chief Executive Officer</i>	<ul style="list-style-type: none"> • Oversees all hospital operations and guides the overall strategy and growth of the organization • Has been associated with MEDANTA since 2010 and has been involved in every aspect of operations • Previously Associate Principal at McKinsey & Co. • Chartered Accountant and an MBA from the J.L. Kellogg School of Management, Northwestern University
Sanjeev Kumar <i>Group Chief Financial Officer</i>	<ul style="list-style-type: none"> • Has been associated with MEDANTA since 2018 • Over two decades of experience in finance and accounting • Previously worked as the Group Chief Financial Officer at InterGlobe Enterprises Private Limited and as global head of revenue assurance at Bharti Airtel Limited • Qualified Chartered Accountant and qualified Company Secretary and holds a bachelor's degree in commerce from the University of Delhi
Sumanta Ray <i>Chief Marketing & Growth Officer</i>	<ul style="list-style-type: none"> • Sumanta Ray is the Chief Marketing & Growth Officer at MEDANTA (Global Health Limited). He has over 25 years of multi-industry experience in Strategy, Revenue management, Sales & Marketing, Operations & Digital Transformation across Healthcare, Insurance, Telecoms, Entertainment and Retail, with stints in leading Indian and multi-national organizations.

Source: company, Axis Securities

Key Risks & Mitigation

Key risks	Mitigation
COVID-related risks: COVID measures, including travel restrictions, had severely affected the Company's operations in FY21 and FY22. New strains and waves of infections in future may impact the destination healthcare business.	<ul style="list-style-type: none"> Post-Covid, the destination healthcare business has revived significantly. The Company's safe and robust safety protocols, with dedicated zones and facilities for international patients continue to make it a preferred healthcare destination for patients across 130 countries.
Increasing non-variable costs: Increasing operating costs and lower occupancy rate could harm the Company's financial margins and operations.	<ul style="list-style-type: none"> The Company remains steadfast on its value of 'Har ek jaan anmol', serving underserved patients with affordable and quality treatment. In last few years, the company has diversified its presence from Delhi/ NCR to Lucknow and Patna with large scale hospitals and serving the underserved markets. Subsequently it continues to deliver healthy EBITDA and profit margins to sustain its growth.
Risks associated with new facilities: Delays in planning, constructing, developing and completing hospitals may hinder the Company from reaching expected operating levels and targeted returns on investments, even after completion.	<ul style="list-style-type: none"> Historically, the Company has successfully commercialized facilities on time and in a phased manner. The proposed facilities are on-track to be operational on-time and contribute to the Company's growth.
Dependence on healthcare professionals: Due to its high reliance on doctors, nurses and other healthcare professionals, the Company's business will be significantly impacted if it is unable to attract or retain such professionals.	<ul style="list-style-type: none"> Medanta continues to attract the best of medical professionals, not only from India, but across the world. Additionally, the Company's academia and training structure provides a foundation to sustain its increasing demand for medical team and doctors across existing and new facilities.
Increasing competition: Competition continues to intensify, which may lead to lower occupancy levels as well as challenges in talent acquisition.	<ul style="list-style-type: none"> Medanta is a trusted healthcare destination for high quality healthcare. Its integrated model of multispecialty services under one-roof, expanding access to primary care, exceptional clinical excellence and improving patient education positions Medanta as the preferred healthcare stop for patients.

Source: company, Axis Securities

Financials (Consolidated)
Profit & Loss
(Rs Cr)

Y/E Mar, Rs. Cr	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	2,694	3,275	3,914	4,620	5,251
Growth (%)	24.3%	21.6%	19.5%	18.0%	13.7%
Total Expenditure	2,074	2,447	2,904	3,405	3,860
Raw Material Consumed	0	-2	900	1,053	1,187
% of sales	22.8%	23.2%	23.0%	22.8%	22.6%
Gross margins (%)	77.2%	76.8%	77.0%	77.2%	77.4%
Employee Expenses	634	735	869	1,026	1,166
% of sales	23.5%	22.4%	22.2%	22.2%	22.2%
Other Expenses	346	525	626	725	824
% of sales	12.8%	16.0%	16.0%	15.7%	15.7%
EBIDTA	621	829	1,010	1,215	1,392
EBITDAM (%)	23.0%	25.3%	25.8%	26.3%	26.5%
EBIT	471	656	825	1,003	1,158
EBITM (%)	17.5%	20.0%	21.1%	21.7%	22.1%
Other Income	65	75	85	100	101
Exceptional Items	0	0	0	0	0
Share of P/L of Associates	0	0	0	0	0
PBT	449	627	837	1,043	1,211
Tax Rate (%)	27.4%	23.8%	25.0%	25.0%	25.0%
Tax	123	149	209	261	303
Reported PAT	326	478	628	782	908

Source: company, Axis Securities

Balance Sheet
(Rs Cr)

Y/E Mar, Rs. Cr	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	54	54	54	54	54
Reserves & Surplus	2,375	2,852	3,480	4,262	5,170
Shareholders Fund	2,428	2,906	3,534	4,316	5,224
- Long Term Borrowings	737	802	602	502	402
Total Non-Current Liabilities	1,691	781	602	502	402
- Short Term Borrowings	0	0	0	0	0
- Trade Payables	195	187	225	266	302
- Other Current Liabilities	352	431	515	608	691
- Short Term Provisions	26	0	0	0	0
Total Current Liabilities	573	618	740	873	993
Total Liabilities	4,692	4,304	4,875	5,691	6,618
Gross Block	2,535	2,813	3,088	3,538	3,888
Depreciation	827	1,000	1,185	1,397	1,631
% of GB	32.6%	35.5%	38.4%	39.5%	41.9%
- Fixed Assets	2,377	2,623	2,613	2,751	2,767
- Long Term Loans & Advances	701	172	214	253	288
Total Non-Current Assets	3,112	2,795	2,827	3,004	3,055
- Inventories	60	67	75	89	101
- Trade Receivables	194	215	257	304	345
- Cash & Cash Equivalents	1,278	1,175	1,664	2,243	3,066
- Short Term Loans & Advances	28	17	17	17	17
- Other Current Assets	19	34	34	34	34
Total Current Assets	1,579	1,509	2,048	2,687	3,563
TOTAL ASSETS	4,691	4,304	4,875	5,691	6,618

Source: company, Axis Securities

Cash Flow
(Rs Cr)

Y/E Mar, Rs. Cr	FY23	FY24	FY25E	FY26E	FY27E
PBT	449	627	837	1,043	1,211
Add: depreciation	150	173	185	212	233
Add: Interest	86	103	72	60	48
Cash flow from operations	686	903	1,095	1,315	1,493
Change in working capital	-126	406	-51	-35	-31
Taxes	123	149	209	261	303
Miscellaneous expenses	0	0	0	0	0
Net cash from operations	688	349	936	1,089	1,221
Capital expenditure	-312	-419	-175	-350	-250
Change in Investments	0	0	0	0	0
Net cash from investing	-312	-419	-175	-350	-250
Increase/Decrease in debt	-31	65	-200	-100	-100
Dividends	0	0	0	0	0
Proceedings from equity	3	0	-0	0	0
Interest	-86	-103	-72	-60	-48
Others	504	6	0	0	0
Net cash from financing	390	-33	-272	-160	-148
Net Inc./(Dec.) in Cash	766	-103	489	579	823
Opening cash balance	512	1,278	1,175	1,664	2,243
Closing cash balance	1,278	1,175	1,664	2,243	3,066

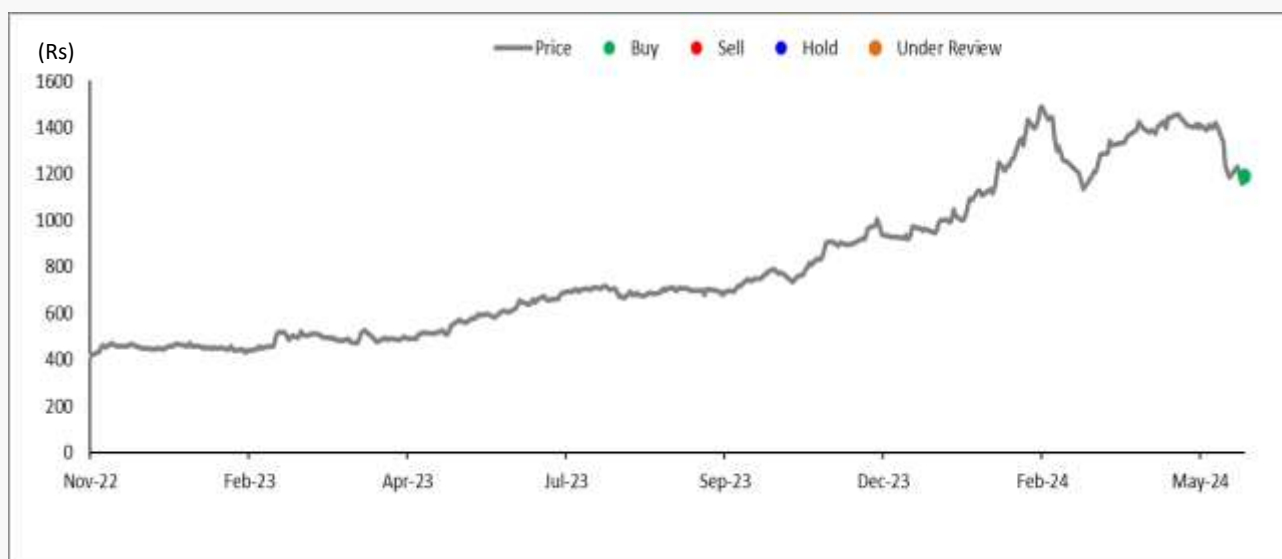
Source: company, Axis Securities

Ratio Analysis
(%)

Y/E Mar, Rs. Cr	FY23	FY24	FY25E	FY26E	FY27E
Sales growth	24.3%	21.6%	19.5%	18.0%	13.7%
OPM	23.0%	25.3%	25.8%	26.3%	26.5%
Oper. profit growth	35.5%	33.5%	21.9%	20.3%	14.5%
COGS / Net sales	22.8%	23.2%	23.0%	22.8%	22.6%
Overheads/Net sales	12.8%	16.0%	16.0%	15.7%	15.7%
Depreciation / G. block	-	-	-	-	-
Effective interest rate	-	-	-	-	-
Net wkg.cap / Net sales	-18.4%	-2.8%	-3.6%	-3.8%	-4.0%
Net sales / Gr block (x)	1.1	1.2	1.3	1.3	1.4
RoCE	19.3	24.1	30.3	34.9	39.8
Debt / equity (x)	0.3	0.3	0.2	0.1	0.1
Effective tax rate	0.3	0.2	0.3	0.3	0.3
RoE	13.4	16.5	17.8	18.1	17.4
Payout ratio (Div/NP)	3.0	4.0	4.0	4.0	4.0
EPS (Rs.)	12.2	17.8	23.4	29.2	33.9
EPS Growth	57%	47%	31%	25%	16%
CEPS (Rs.)	15.4	21.7	26.1	31.4	35.7
DPS (Rs.)	0.0	0.0	0.0	0.0	0.0

Source: company, Axis Securities

Global Health Ltd (MEDANTA) Price Chart and Recommendation History



Date	Reco	TP	Research
03-Jun-24	BUY	1,475	Initiating Coverage

Source: Axis Securities

About the analyst



Analyst: Ankush Mahajan

Contact Details: ankush.mahajan@axissecurities.in

Sector: Pharma Sector

Analyst Bio: Ankush Mahajan is MBA (Finance) from SMVDU with over 12 years of research experience in the Midcaps/ Pharma Sector

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