

August 13, 2022

Q1FY23 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	427		427	
Sales (Rs. m)	57,930	66,668	54,449	63,466
% Chng.	6.4	5.0		
EBITDA (Rs. m)	15,421	17,986	14,668	17,714
% Chng.	5.1	1.5		
EPS (Rs.)	10.8	13.1	10.2	13.0
% Chng.	5.6	0.5		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	36,010	51,710	57,930	66,668
EBITDA (Rs. m)	6,080	13,440	15,421	17,986
Margin (%)	16.9	26.0	26.6	27.0
PAT (Rs. m)	1,830	8,880	10,449	12,695
EPS (Rs.)	1.9	9.2	10.8	13.1
Gr. (%)	-	383.4	17.7	21.5
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	3.2	14.3	14.4	15.1
RoCE (%)	5.7	15.1	15.8	16.6
EV/Sales (x)	9.8	6.8	6.0	5.1
EV/EBITDA (x)	58.3	26.3	22.5	18.9
PE (x)	191.0	39.5	33.6	27.6
P/BV (x)	6.1	5.2	4.5	3.9

Key Data

MAXI.BO | MAXHEALT IN

52-W High / Low	Rs.473 / Rs.301
Sensex / Nifty	59,463 / 17,698
Market Cap	Rs.351bn/ \$ 4,405m
Shares Outstanding	970m
3M Avg. Daily Value	Rs.228.4m

Shareholding Pattern (%)

Promoter's	50.64
Foreign	23.34
Domestic Institution	19.41
Public & Others	6.61
Promoter Pledge (Rs bn)	90.89

Stock Performance (%)

	1M	6M	12M
Absolute	(1.2)	(1.8)	9.8
Relative	(10.4)	(3.9)	1.3

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In line EBITDA; Operationally healthy quarter

Quick Pointers:

- Robust performance driven by better payor mix, surgical mix and normalization of footfalls.
- ARPOB and occupancy remain healthy in Q1. Expansion plan on track

Max Healthcare (MAXHEALT) reported EBITDA of Rs3.7bn (up 23% QoQ) vs our estimate of Rs3.6bn. Overall occupancy stood at 74% vs 68% in Q4, while ARPOB grew healthy at Rs.66K, 4% QoQ due to annual price revisions and improvement in payor & surgical mix. Net debt decreased by Rs 2.2bn QoQ to Rs 2.1bn.

MAXHEALT operational efficiency has been commendable, especially in competitive markets like NCR. Company showed phenomenal growth in past two years and we expect this momentum to continue with 1) strong expansion plans, 2) improving payor mix and 3) scale up in labs. Our FY23E and FY24E EBITDA stands increased by 5% and 2% respectively. We expect 16% EBITDA CAGR over FY22-24E. FY22 had one-time contribution from vaccine and COVID revs. We maintain our 'Buy' rating at TP of Rs427/share.

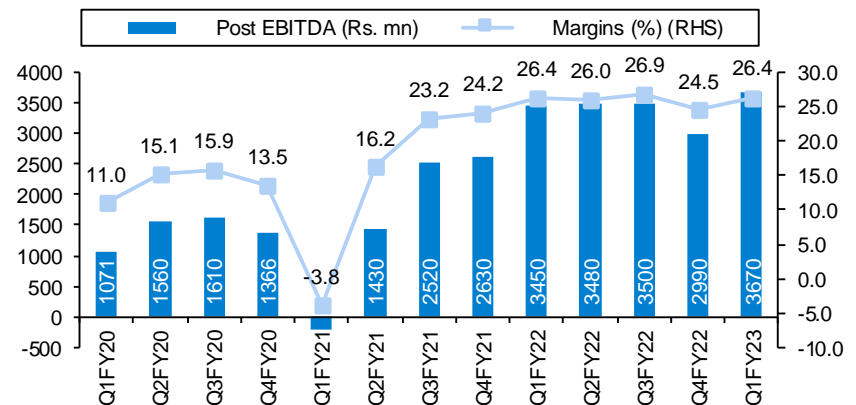
- In line EBITDA; healthy occupancy and ARPOB:** Consolidated revenues grew by 6% YoY (14% QoQ) to Rs. 13.9bn vs our estimate of Rs13.5bn. Adjusted for covid vaccination, revenues and EBITDA was up by 18% and 23% YoY respectively. OPM came in 26.4% (up 190 bps QoQ) due to recovery in occupancy and higher ARPOB. International business contribution was at 7.8% vs 4.6% in Q1FY22. Adjusted PAT increased 7% YoY to Rs.2.4bn. Max Lab added 90 channel partners in Q1; taking total to +850. Max Lab and Max@Home revenue stood at Rs240mn and Rs320 mn, respectively.
- Key con-call takeaways:** (1) Share of occupied beds for institutional patients reduced to 30% (17.3% of revs) from 33% of Q4. Mgmt targets for institutional patient's revenues to come down to 15% in next 1.5-2 years. Institutional business generates 45-50% lower revenues given lower ARPOBs (2) Guided for additional 100 bed to operational in FY23 at Max Shalimar Bagh while 300 beds to commercialized in H1FY24 at Dwarka (3) Lower capex of Rs130mn in Q1FY23 on account of delay; planned capex at Rs. 6-7bn for FY23. Expansion plan for Nanavati hospital and Saket is well progressed; all the required approvals received (4) International patient footfalls normalized to pre-Covid levels in Q1 FY23, despite negligible patient flows from Afghanistan, one of key territories for company in FY20 (5) Normally company take annual price hike of 2-2.5% for international and cash patients (6) Gurugram facility has higher EBITDA per bed at Rs9mn as compared to average of Rs6mn for other facilities (7) Share of digital channel revenues contributed 16% (8% in Q1FY22) (8) Company continues to follow the growth levers such as international medical tourism growth from both existing and new geographies, improvement in payor mix, and fast-tracking brownfield expansion.

Exhibit 1: Q1FY23 Result Overview (Rs mn) – In line EBITDA

Y/e March	1QFY23	1QFY22	YoY gr. (%)	4QFY22	QoQ gr. (%)
Net Sales	13,900	13,080	6.3	12,210	13.8
COGS	5,510	5,380	2.4	4,970	10.9
<i>% of Net Sales</i>	<i>39.6</i>	<i>41.1</i>		<i>40.7</i>	
Other Expenses	4,720	4,250	11.1	4,250	11.1
<i>% of Net Sales</i>	<i>34.0</i>	<i>32.5</i>		<i>34.8</i>	
Total	10,230	9,630	6.2	9,220	11.0
EBITDA	3,670	3,450	6.4	2,990	22.7
<i>Margins (%)</i>	<i>26.4</i>	<i>26.4</i>		<i>24.5</i>	
Other Income	30	140	(78.6)	50	(40.0)
Interest	200	310	(35.5)	270	(25.9)
Depreciation	650	590	10.2	650	-
PBT	2,850	2,690	5.9	2,120	34.4
Tax	460	450	2.2	330	39.4
<i>Tax rate (%)</i>	<i>16.1</i>	<i>16.7</i>		<i>15.6</i>	
PAT	2,390	2,240	6.7	1,790	33.5
Other comprehensive income/(exp)	-	(190)		-	
EO items	110	-		70	
Reported PAT	2,280	2,050	11.2	1,720	32.6

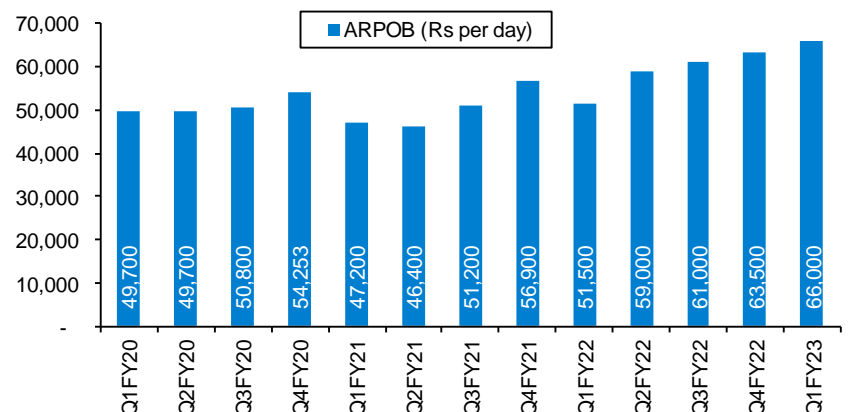
Source: Company, PL

Exhibit 2: Margins improved on higher ARPOB and payor mix



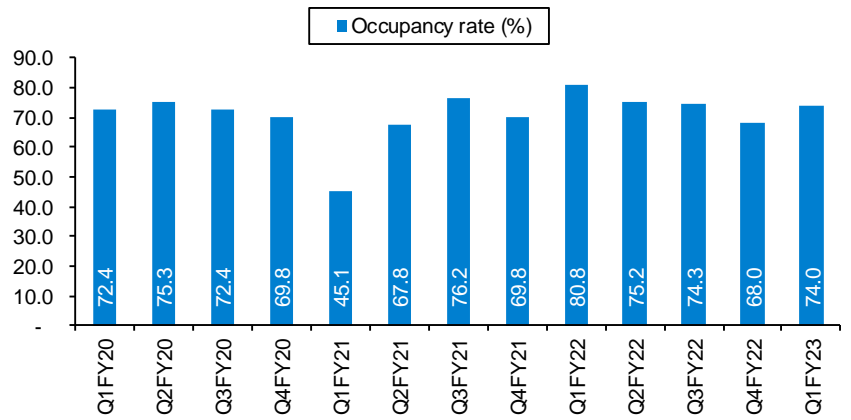
Source: Company, PL

Exhibit 3: Higher ARPOB aided by price hike, better payor and surgical mix



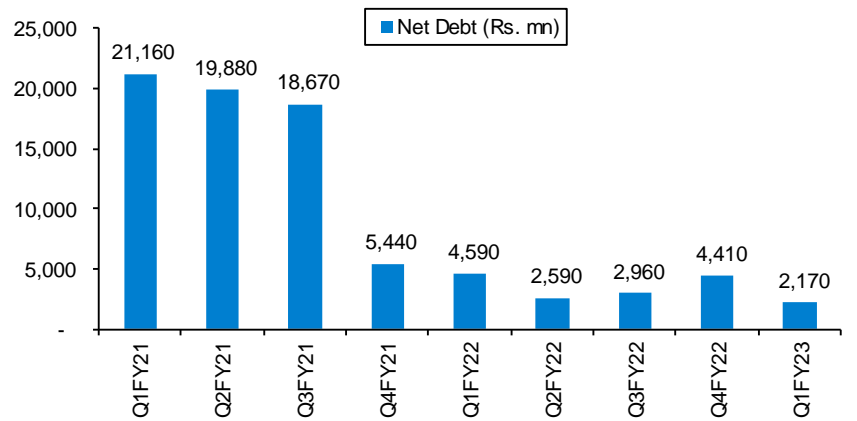
Source: Company, PL

Exhibit 4: Occupancy recovered in Q1FY23



Source: Company, PL

Exhibit 5: Net debt decreased by Rs. 2.2bn QoQ



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	36,010	51,710	57,930	66,668
YoY gr. (%)	-	43.6	12.0	15.1
Cost of Goods Sold	9,730	13,500	15,062	17,000
Gross Profit	26,280	38,210	42,868	49,667
Margin (%)	73.0	73.9	74.0	74.5
Employee Cost	14,902	18,777	22,593	25,334
Other Expenses	5,298	5,994	4,854	6,348
EBITDA	6,080	13,440	15,421	17,986
YoY gr. (%)	-	121.0	14.7	16.6
Margin (%)	16.9	26.0	26.6	27.0
Depreciation and Amortization	2,160	2,480	2,728	3,001
EBIT	3,920	10,960	12,693	14,985
Margin (%)	10.9	21.2	21.9	22.5
Net Interest	1,870	1,120	900	750
Other Income	280	470	500	700
Profit Before Tax	2,330	10,310	12,293	14,935
Margin (%)	6.5	19.9	21.2	22.4
Total Tax	500	1,430	1,844	2,240
Effective tax rate (%)	21.5	13.9	15.0	15.0
Profit after tax	1,830	8,880	10,449	12,695
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,830	8,880	10,449	12,695
YoY gr. (%)	-	385.2	17.7	21.5
Margin (%)	5.1	17.2	18.0	19.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,830	8,880	10,449	12,695
YoY gr. (%)	-	385.2	17.7	21.5
Margin (%)	5.1	17.2	18.0	19.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,830	8,880	10,449	12,695
Equity Shares O/s (m)	966	970	969	969
EPS (Rs)	1.9	9.2	10.8	13.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	34,320	41,500	44,292	49,291
Tangibles	34,320	41,500	44,292	49,291
Intangibles	-	-	-	-
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	34,320	41,500	44,292	49,291
Tangibles	34,320	41,500	44,292	49,291
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	37,730	37,730	37,730	37,736
Non-Current Investments	20	20	20	20
Net Deferred tax assets	(1,580)	(1,850)	(1,850)	(1,850)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	740	830	1,270	1,461
Trade receivables	1,352	4,902	5,726	6,551
Cash & Bank Balance	6,660	6,150	11,422	16,697
Other Current Assets	-	-	-	-
Total Assets	80,822	91,132	1,00,460	1,11,756
Equity				
Equity Share Capital	57,380	67,180	77,629	90,324
Other Equity	-	-	-	-
Total Network	57,380	67,180	77,629	90,324
Non-Current Liabilities				
Long Term borrowings	11,280	9,180	7,180	5,180
Provisions	-	-	-	-
Other non current liabilities	4,280	4,250	4,250	4,250
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,242	6,092	6,825	7,854
Other current liabilities	(740)	(830)	(684)	(1,112)
Total Equity & Liabilities	80,822	91,132	1,00,460	1,11,756

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	2,330	10,310	12,293	14,935
Add. Depreciation	2,160	2,480	2,728	3,001
Add. Interest	1,870	1,120	900	750
Less Financial Other Income	280	470	500	700
Add. Other	-	-	-	-
Op. profit before WC changes	6,360	13,910	15,921	18,686
Net Changes-WC	199	(90)	(1,264)	(1,016)
Direct tax	(500)	(1,430)	(1,844)	(2,240)
Net cash from Op. activities	6,059	12,390	12,813	15,430
Capital expenditures	(4,744)	(7,250)	(8,000)	(8,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(4,744)	(7,250)	(8,000)	(8,000)
Issue of share cap. / premium	12,000	-	-	-
Debt changes	(7,991)	(2,100)	(2,000)	(2,000)
Dividend paid	-	55	(107)	59
Interest paid	(1,870)	(1,120)	(900)	(750)
Others	(900)	(2,485)	3,466	536
Net cash from Fin. activities	1,239	(5,650)	459	(2,155)
Net change in cash	2,554	(510)	5,272	5,275
Free Cash Flow	1,315	5,140	4,813	7,430

Source: Company Data, PL Research

Key Financial Metrics

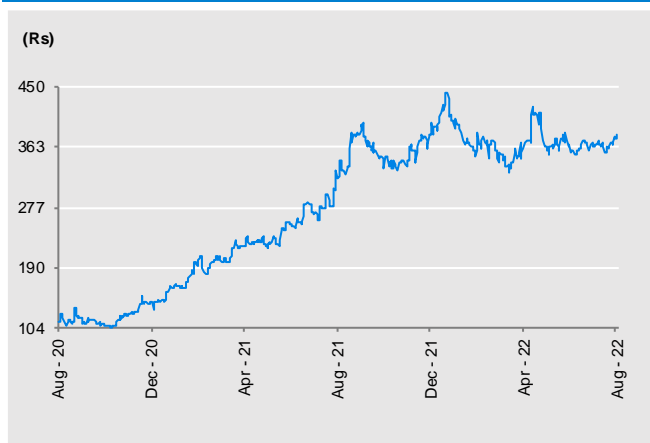
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	1.9	9.2	10.8	13.1
CEPS	4.1	11.7	13.6	16.2
BVPS	59.4	69.3	80.1	93.2
FCF	1.4	5.3	5.0	7.7
DPS	-	-	-	-
Return Ratio(%)				
RoCE	5.7	15.1	15.8	16.6
ROIC	5.3	12.9	14.3	15.8
RoE	3.2	14.3	14.4	15.1
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	(0.1)	(0.1)
Net Working Capital (Days)	(22)	(3)	1	1
Valuation(x)				
PER	191.0	39.5	33.6	27.6
P/B	6.1	5.2	4.5	3.9
P/CEPS	87.6	30.9	26.6	22.3
EV/EBITDA	58.3	26.3	22.5	18.9
EV/Sales	9.8	6.8	6.0	5.1
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	13,390	13,030	12,210	13,900
YoY gr. (%)	52.0	20.0	12.1	6.3
Raw Material Expenses	5,530	5,160	4,970	5,510
Gross Profit	7,860	7,870	7,240	8,390
Margin (%)	58.7	60.4	59.3	60.4
EBITDA	3,480	3,500	2,990	3,670
YoY gr. (%)	143.4	38.9	13.7	6.4
Margin (%)	26.0	26.9	24.5	26.4
Depreciation / Depletion	630	610	650	650
EBIT	2,850	2,890	2,340	3,020
Margin (%)	21.3	22.2	19.2	21.7
Net Interest	300	240	270	200
Other Income	140	140	50	30
Profit before Tax	2,690	2,790	2,120	2,850
Margin (%)	20.1	21.4	17.4	20.5
Total Tax	390	260	330	460
Effective tax rate (%)	14.5	9.3	15.6	16.1
Profit after Tax	2,300	2,530	1,790	2,390
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,060	2,530	1,720	2,280
YoY gr. (%)	456.8	87.4	57.8	11.2
Margin (%)	15.4	19.4	14.1	16.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,060	2,530	1,720	2,280
YoY gr. (%)	456.8	87.4	57.8	11.2
Margin (%)	15.4	19.4	14.1	16.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,060	2,530	1,720	2,280
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	2.4	2.6	1.8	2.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-22	BUY	427	370
2	08-Apr-22	BUY	427	355
3	03-Mar-22	BUY	427	370

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,000	3,884
2	Aster DM Healthcare	BUY	234	183
3	Aurobindo Pharma	Accumulate	635	544
4	Cipla	BUY	1,110	977
5	Divi's Laboratories	Accumulate	4,300	3,659
6	Dr. Reddy's Laboratories	BUY	4,750	4,260
7	Eris Lifesciences	BUY	825	695
8	Fortis Healthcare	BUY	330	269
9	Glenmark Pharmaceuticals	Accumulate	450	390
10	HealthCare Global Enterprises	BUY	358	284
11	Indoco Remedies	BUY	430	396
12	Ipca Laboratories	BUY	1,010	1,016
13	Ipca Laboratories	Hold	1,010	1,016
14	J.B. Chemicals & Pharmaceuticals	BUY	1,950	1,636
15	Krishna Institute of Medical Sciences	BUY	1,600	1,220
16	Lupin	Hold	600	660
17	Max Healthcare Institute	BUY	427	370
18	Narayana Hrudayalaya	BUY	810	686
19	Sun Pharmaceutical Industries	BUY	1,070	943
20	Torrent Pharmaceuticals	BUY	1,750	1,529
21	Zydus Lifesciences	BUY	425	364

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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