

November 3, 2022

Q2FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	500		427	
Sales (Rs. m)	64,659	81,520	64,659	81,520
% Chng.	-	-	-	-
EBITDA (Rs. m)	17,688	21,484	17,644	21,318
% Chng.	0.2	0.8	-	-
EPS (Rs.)	12.8	15.9	12.8	15.8
% Chng.	0.2	0.9	-	-

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	51,710	57,930	64,659	81,520
EBITDA (Rs. m)	13,440	15,503	17,688	21,484
Margin (%)	26.0	26.8	27.4	26.4
PAT (Rs. m)	8,880	10,518	12,442	15,413
EPS (Rs.)	9.2	10.8	12.8	15.9
Gr. (%)	383.4	18.4	18.3	23.9
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	14.3	14.5	14.8	15.8
RoCE (%)	15.1	15.8	16.3	17.8
EV/Sales (x)	8.8	7.7	6.8	5.3
EV/EBITDA (x)	33.8	28.8	24.8	20.0
PE (x)	50.7	42.8	36.2	29.2
P/BV (x)	6.7	5.8	5.0	4.3

Key Data **MAXI.BO | MAXHEALT IN**

52-W High / Low	Rs.483 / Rs.306
Sensex / Nifty	60,906 / 18,083
Market Cap	Rs.451bn/ \$ 5,444m
Shares Outstanding	970m
3M Avg. Daily Value	Rs.2686.91m

Shareholding Pattern (%)

Promoter's	23.80
Foreign	49.27
Domestic Institution	20.86
Public & Others	6.07
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	13.9	18.7	35.7
Relative	7.4	11.1	33.7

Param Desai

paramdesai@plindia.com | 91-22-66322259

Sanketa Kohale

sanketakhale@plindia.com | 91-22-66322426

Max Healthcare Institute (MAXHEALT IN)

Rating: BUY | CMP: Rs465 | TP: Rs500

In line EBITDA; aided by healthy utilization

Quick Pointers:

- Healthy performance driven by better payor mix; 9% QoQ growth in EBITDA.
- ARPOB and occupancy remains strong in Q2.

Max Healthcare (MAXHEALT) reported EBITDA of Rs 4bn (up 9% QoQ) vs our estimate of Rs3.9bn. Overall occupancy stood at 78% vs 74% in Q1 on seasonality, while ARPOB remained steady QoQ at Rs.66K due to medical mix obligation. The company became net cash positive by Rs. 420mn vs Rs. 2.1bn of net debt in Q1. Operational efficiency has also been commendable, especially in competitive markets like NCR.

MAXHEALT has shown phenomenal growth in past two years and we expect this momentum to continue given 1) strong expansion plans, 2) improving payor mix and 3) scale up in labs. Our FY23E and FY24E EBITDA broadly remains unchanged. We expect 17% EBITDA CAGR over FY22-25E. We ascribe 24x EV/EBITDA (22x earlier) to hospital segment and 25x EV/EBITDA to diagnostic segment. Maintain 'Buy' rating with increased TP of Rs 500/share (earlier at Rs 427/share), as we roll forward to Sept 2024.

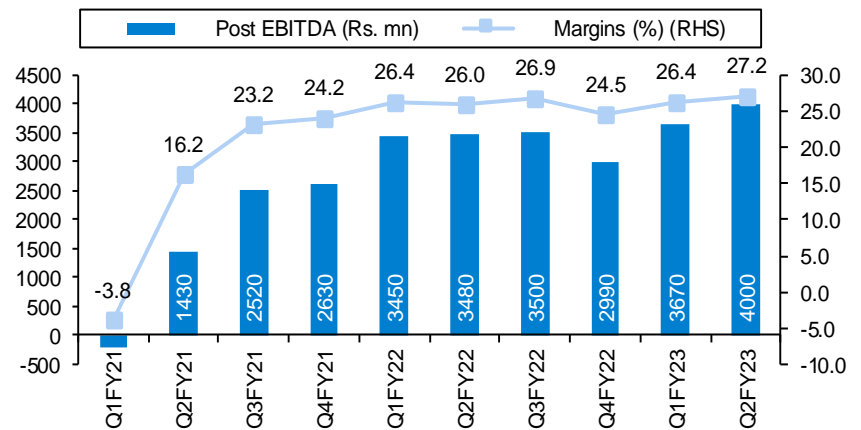
- In line EBITDA; healthy occupancy and ARPOB:** Consolidated revenues grew by 10% YoY (6% QoQ) to Rs. 14.7bn vs our estimate of Rs14.5bn. EBITDA from vaccination was zero in Q2FY23 vs Rs. 250mn in Q2FY22. OPM came in 27.2% (up 75 bps QoQ) due to higher OPD footfalls, better surgical and payor mix. International business contribution was at 8.6% vs 3.6% in Q2FY22. Adjusted PAT increased 21% YoY to Rs.2.8bn. There was one time gain to the tune of Rs.2.4bn related to reversal of deferred tax liability. Max Lab added +65 channel partners in Q2; taking total to ~920. Max Lab and Max@Home revenue stood at Rs 300mn and Rs 350mn, respectively.
- Key con-call takeaways:** (1) Share of occupied beds for institutional patients further reduced to 28% (16% of revs) from 30% of Q1; which is in-line with mgmt strategy. (2) Out of total capex plan of Rs. 6.57bn for FY23, only Rs. 410mn deployed till H1FY23. The remaining capex is likely to be deployed over next 2-3 quarters. Construction of 100 beds in Shalimar Baug (Rs. 1.5bn capex) and 300 beds in Dwarka (Rs.1.4bn spend towards medical equipment) is on track and would be commissioned by Q4FY23 and Q1FY24 respectively. (3) Mgmt guided international business to improve on the back of resolving visa issues, soon due to normalcy in Afghanistan. (4) Expansion plan for Nanavati hospital is well on the track and will be ready in the next two years. (5) Max lab seen a strong traction and company would continue to invest heavily in creating partners and franchise. (6) B2C share was at 50:50 in Q2FY23. (7) Digital revenues were at Rs. 2.4bn; contributed ~15% to the total revenues. (8) ARPOB was flat due to increase in internal medicine obligation driven by seasonal infections. (9) Mgmt focus will be on inorganic growth with no greenfield expansion in new unexplored regions.

Exhibit 1: Q2FY23 Result Overview (Rs mn) – In line EBITDA

Y/e March	2QFY23	2QFY22	YoY gr. (%)	1QFY23	QoQ gr. (%)
Net Sales	14,720	13,390	9.9	13,900	5.9
COGS	5,750	5,530	4.0	5,510	4.4
<i>% of Net Sales</i>	<i>39.1</i>	<i>41.3</i>		<i>39.6</i>	
Other Expenses	4,970	4,380	13.5	4,720	5.3
<i>% of Net Sales</i>	<i>33.8</i>	<i>32.7</i>		<i>34.0</i>	
Total	10,720	9,910	8.2	10,230	4.8
EBITDA	4,000	3,480	14.9	3,670	9.0
<i>Margins (%)</i>	<i>27.2</i>	<i>26.0</i>		<i>26.4</i>	
Other Income	100	140	(28.6)	30	233.3
Interest	140	300	(53.3)	200	(30.0)
Depreciation	640	630	1.6	650	(1.5)
PBT	3,320	2,690	23.4	2,850	16.5
Tax	540	390	38.5	460	17.4
<i>Tax rate (%)</i>	<i>16.3</i>	<i>14.5</i>		<i>16.1</i>	
PAT	2,780	2,300	20.9	2,390	16.3
Other comprehensive income/(exp)	-	-		-	
EO items	(2,330)	240		110	
Reported PAT	5,110	2,060	148.1	2,280	124.1

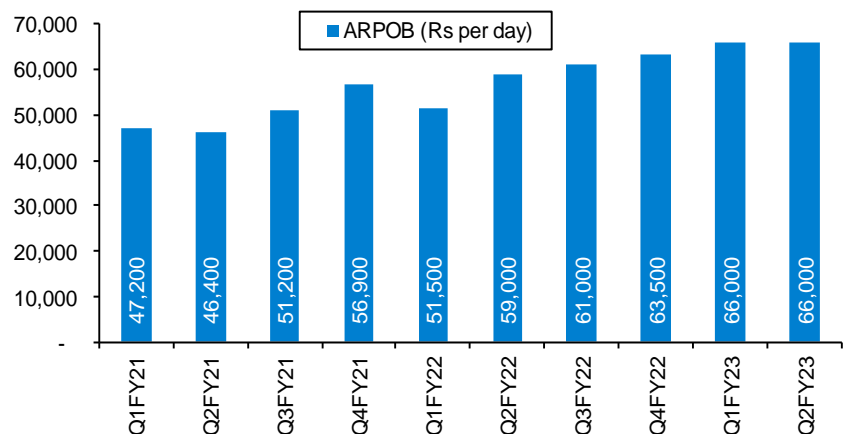
Source: Company, PL

Exhibit 2: Margins improved on higher utilization and better payor mix



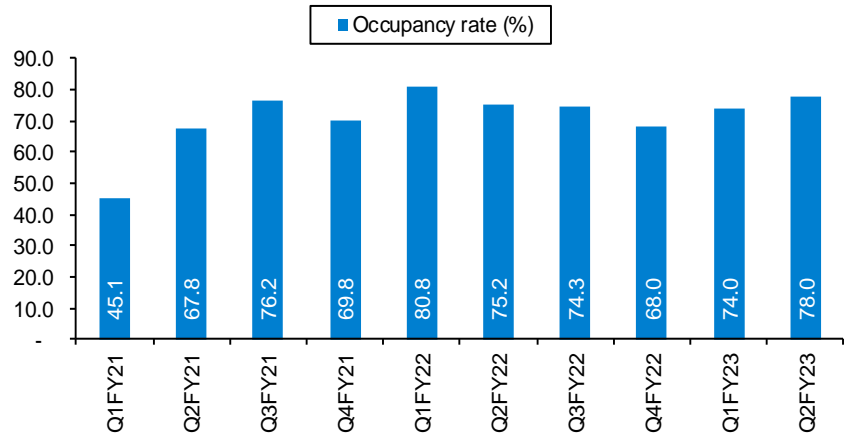
Source: Company, PL

Exhibit 3: Stable ARPOB QoQ



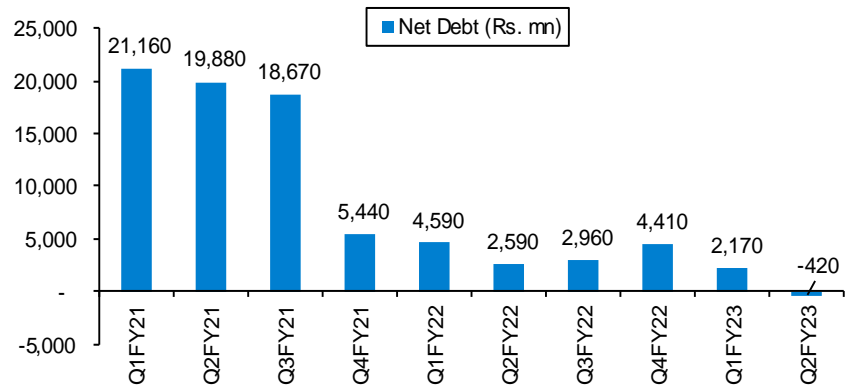
Source: Company, PL

Exhibit 4: Occupancy improved in Q2FY23 on seasonality



Source: Company, PL

Exhibit 5: Turned net cash company



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	51,710	57,930	64,659	81,520
YoY gr. (%)	43.6	12.0	11.6	26.1
Cost of Goods Sold	13,500	15,062	16,488	20,788
Gross Profit	38,210	42,868	48,171	60,733
Margin (%)	73.9	74.0	74.5	74.5
Employee Cost	18,777	22,593	24,570	30,978
Other Expenses	5,994	4,773	5,912	8,271
EBITDA	13,440	15,503	17,688	21,484
YoY gr. (%)	121.0	15.3	14.1	21.5
Margin (%)	26.0	26.8	27.4	26.4
Depreciation and Amortization	2,480	2,728	3,001	3,301
EBIT	10,960	12,775	14,687	18,183
Margin (%)	21.2	22.1	22.7	22.3
Net Interest	1,120	900	750	750
Other Income	470	500	700	700
Profit Before Tax	10,310	12,375	14,637	18,133
Margin (%)	19.9	21.4	22.6	22.2
Total Tax	1,430	1,856	2,196	2,720
Effective tax rate (%)	13.9	15.0	15.0	15.0
Profit after tax	8,880	10,518	12,442	15,413
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	8,880	10,518	12,442	15,413
YoY gr. (%)	385.2	18.5	18.3	23.9
Margin (%)	17.2	18.2	19.2	18.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,880	10,518	12,442	15,413
YoY gr. (%)	385.2	18.5	18.3	23.9
Margin (%)	17.2	18.2	19.2	18.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,880	10,518	12,442	15,413
Equity Shares O/s (m)	970	970	970	970
EPS (Rs)	9.2	10.8	12.8	15.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	41,500	44,292	49,291	55,760
Tangibles	41,500	44,292	49,291	55,760
Intangibles	-	-	-	-
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	41,500	44,292	49,291	55,760
Tangibles	41,500	44,292	49,291	55,760
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	37,730	37,730	37,736	37,742
Non-Current Investments	20	20	20	20
Net Deferred tax assets	(1,850)	(1,850)	(1,850)	(1,850)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	830	1,270	1,417	1,787
Trade receivables	4,902	5,726	6,595	6,974
Cash & Bank Balance	6,150	11,491	16,513	23,304
Other Current Assets	-	-	-	-
Total Assets	91,132	1,00,529	1,11,572	1,25,586
Equity				
Equity Share Capital	67,180	77,698	90,140	1,05,553
Other Equity	-	-	-	-
Total Network	67,180	77,698	90,140	1,05,553
Non-Current Liabilities				
Long Term borrowings	9,180	7,180	5,180	3,180
Provisions	-	-	-	-
Other non current liabilities	4,250	4,250	4,250	4,250
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,092	6,825	7,617	9,604
Other current liabilities	(830)	(684)	(875)	(2,261)
Total Equity & Liabilities	91,132	1,00,529	1,11,572	1,25,586

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	10,310	12,375	14,637	18,133
Add. Depreciation	2,480	2,728	3,001	3,301
Add. Interest	1,120	900	750	750
Less Financial Other Income	470	500	700	700
Add. Other	-	-	-	-
Op. profit before WC changes	13,910	16,003	18,388	22,184
Net Changes-WC	(90)	(1,264)	(1,016)	(749)
Direct tax	(1,430)	(1,856)	(2,196)	(2,720)
Net cash from Op. activities	12,390	12,882	15,177	18,715
Capital expenditures	(7,250)	(8,000)	(8,000)	(9,770)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(7,250)	(8,000)	(8,000)	(9,770)
Issue of share cap. / premium	-	-	-	-
Debt changes	(2,100)	(2,000)	(2,000)	(2,000)
Dividend paid	55	(107)	59	59
Interest paid	(1,120)	(900)	(750)	(750)
Others	(2,485)	3,466	536	536
Net cash from Fin. activities	(5,650)	459	(2,155)	(2,155)
Net change in cash	(510)	5,341	5,022	6,790
Free Cash Flow	5,140	4,882	7,177	8,945

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	9.2	10.8	12.8	15.9
CEPS	11.7	13.7	15.9	19.3
BVPS	69.3	80.1	93.0	108.9
FCF	5.3	5.0	7.4	9.2
DPS	-	-	-	-
Return Ratio(%)				
RoCE	15.1	15.8	16.3	17.8
ROIC	12.9	14.3	15.5	17.8
RoE	14.3	14.5	14.8	15.8
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	(3)	1	2	(4)
Valuation(x)				
PER	50.7	42.8	36.2	29.2
P/B	6.7	5.8	5.0	4.3
P/CEPS	39.7	34.0	29.2	24.1
EV/EBITDA	33.8	28.8	24.8	20.0
EV/Sales	8.8	7.7	6.8	5.3
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	13,030	12,210	13,900	14,720
YoY gr. (%)	20.0	12.1	6.3	9.9
Raw Material Expenses	5,160	4,970	5,510	5,750
Gross Profit	7,870	7,240	8,390	8,970
Margin (%)	60.4	59.3	60.4	60.9
EBITDA	3,500	2,990	3,670	4,000
YoY gr. (%)	38.9	13.7	6.4	14.9
Margin (%)	26.9	24.5	26.4	27.2
Depreciation / Depletion	610	650	650	640
EBIT	2,890	2,340	3,020	3,360
Margin (%)	22.2	19.2	21.7	22.8
Net Interest	240	270	200	140
Other Income	140	50	30	100
Profit before Tax	2,790	2,120	2,850	3,320
Margin (%)	21.4	17.4	20.5	22.6
Total Tax	260	330	460	540
Effective tax rate (%)	9.3	15.6	16.1	16.3
Profit after Tax	2,530	1,790	2,390	2,780
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,530	1,720	2,280	5,110
YoY gr. (%)	87.4	57.8	11.2	148.1
Margin (%)	19.4	14.1	16.4	34.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,530	1,720	2,280	5,110
YoY gr. (%)	87.4	57.8	11.2	148.1
Margin (%)	19.4	14.1	16.4	34.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,530	1,720	2,280	5,110
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	2.6	1.8	2.5	2.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-22	BUY	427	414
2	13-Aug-22	BUY	427	362
3	07-Jul-22	BUY	427	370
4	08-Apr-22	BUY	427	355
5	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	4,391
2	Aster DM Healthcare	BUY	234	249
3	Aurobindo Pharma	Accumulate	635	535
4	Cipla	BUY	1,110	1,131
5	Divi's Laboratories	Accumulate	4,140	3,727
6	Dr. Reddy's Laboratories	BUY	4,900	4,460
7	Eris Lifesciences	BUY	850	736
8	Fortis Healthcare	BUY	330	266
9	Glenmark Pharmaceuticals	Accumulate	450	401
10	HealthCare Global Enterprises	BUY	358	291
11	Indoco Remedies	BUY	430	336
12	Ipca Laboratories	Accumulate	1,000	934
13	J.B. Chemicals & Pharmaceuticals	BUY	1,950	1,636
14	Krishna Institute of Medical Sciences	BUY	1,550	1,467
15	Lupin	Hold	600	721
16	Max Healthcare Institute	BUY	427	414
17	Narayana Hrudayalaya	BUY	810	715
18	Sun Pharmaceutical Industries	BUY	1,175	1,037
19	Torrent Pharmaceuticals	BUY	1,850	1,567
20	Zydus Lifesciences	BUY	425	409

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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