

February 5, 2023

Q3FY23 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	500		500	
Sales (Rs. m)	63,718	75,715	64,659	81,520
% Chng.	(1.5)	(7.1)		
EBITDA (Rs. m)	17,456	20,503	17,688	21,484
% Chng.	(1.3)	(4.6)		
EPS (Rs.)	12.4	15.0	12.8	15.9
% Chng.	(3.4)	(5.9)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	51,710	58,209	63,718	75,715
EBITDA (Rs. m)	13,440	15,850	17,456	20,503
Margin (%)	26.0	27.2	27.4	27.1
PAT (Rs. m)	8,880	10,779	12,022	14,501
EPS (Rs.)	9.2	11.1	12.4	15.0
Gr. (%)	383.4	21.4	11.5	20.6
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	14.3	14.9	14.3	14.9
RoCE (%)	15.1	16.4	16.2	17.1
EV/Sales (x)	8.2	7.1	6.4	5.3
EV/EBITDA (x)	31.6	26.2	23.4	19.5
PE (x)	47.6	39.2	35.1	29.1
P/BV (x)	6.3	5.4	4.7	4.0

Key Data

MAXI.BO | MAXHEALT IN

52-W High / Low	Rs.483 / Rs.306
Sensex / Nifty	60,842 / 17,854
Market Cap	Rs.423bn/ \$ 5,166m
Shares Outstanding	971m
3M Avg. Daily Value	Rs.863.63m

Shareholding Pattern (%)

Promoter's	23.78
Foreign	50.14
Domestic Institution	20.00
Public & Others	6.08
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.5)	17.7	19.8
Relative	(1.7)	12.9	15.8

Param Desai

paramdesai@plindia.com | 91-22-66322259

Sanketa Kohale

sanketakohale@plindia.com | 91-22-66322426

Strong EBIDTA despite seasonally weak quarter

Quick Pointers:

- Strong performance, aided by better occupancy and healthy ARPOB.
- Expansion plans largely on track.

We broadly maintain our FY24E EBIDTA, however reduce for FY25E by 5% as we factor slight delay in capacity expansion. Max Healthcare Institute' (MAXHEALT) Q3FY23 EBIDTA came above our estimates by 6%, aided by better occupancy (77% in Q3 vs 78% in Q2) in a seasonally weak quarter. MAXHEALT has shown phenomenal growth in past two years and we expect this momentum to continue given 1) strong expansion plans (+1500 additional beds by FY25E end), 2) improving payor mix (15% revenue contribution from institutional by FY25E vs 17% now) and 3) scale up in labs. Operational efficiency has also been commendable, especially in competitive markets like NCR. We expect 14% EBIDTA CAGR over FY23-25E. We ascribe 24x EV/EBIDTA based on Dec 2024E and maintain 'BUY' rating with TP of Rs 500/share.

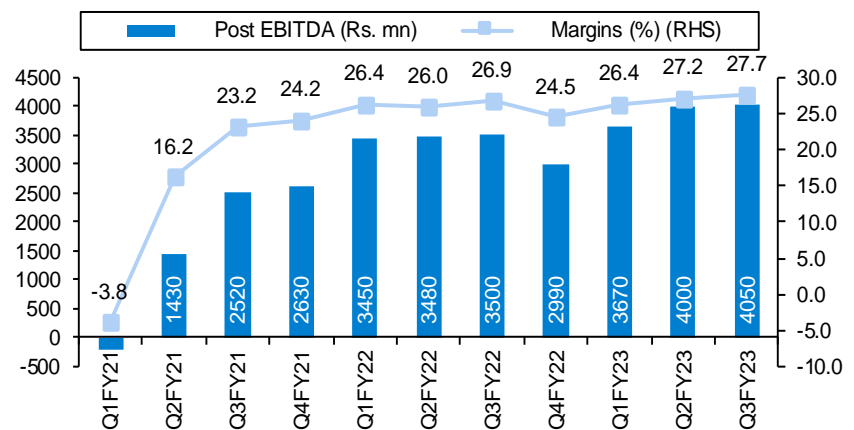
- EBIDTA above estimates by 6%; aided by better occupancy:** Max Healthcare (MAXHEALT) reported EBIDTA of Rs 4.1bn (up 1% QoQ) vs our estimate of Rs3.8bn. Adjusted for one-time income of Rs70mn related to reversal in provision of doubtful debts; EBIDTA was flat QoQ. Adjusted OPM for one offs came in 27.2% (flat QoQ). Overall occupancy stood at 77% vs 78% in Q2 on festive seasonality, while ARPOB was strong QoQ at Rs.66.8K (up 1% QoQ).
- Flat QoQ revenues in a seasonally weak quarter:** Consolidated revenues grew by 12% YoY (flat QoQ) to Rs. 14.6bn vs our estimate of Rs14.1bn. International business contribution was at 8.6%; largely flat QoQ. PAT increased 13% YoY to Rs.2.9bn. Max Lab and Max@Home revenue stood at Rs 280mn and Rs 360mn, respectively. Company's net cash increased by Rs. 3.3bn QoQ to Rs. 3.7bn. There was one-time receipt to tune of Rs1bn related to cancellation of land allotted earlier in Gurgaon. Capex towards ongoing projects was to the tune of Rs1bn in Q3.
- Key con-call takeaways:** (1) **Expansion plans:** Shalimar Bagh-100 beds: Should get commercialized in Q4FY23 and 300 beds in Dwarka. The structure is complete and interior work is underway (should get commercialized by Q2FY24). Phase 1 in Sec 56 Gurgaon-300 beds: Excavation work has commenced and on track for FY25 operationalization. Nanavati-329 beds: Contract has been awarded to L&T in Dec-2022 on turnkey basis to hand over the hospital on or before 24 months. Saket complex (Smart)-350 beds: Construction has delayed by a quarter due to lack of permissions; it has been received in Jan-23 (2) No impact to bed addition plan from cancellation of sector 53 land, Gurgaon till FY28E. Additionally, mgmt. plans to add +100 beds over next 2 quarters through internal reconfiguration (3) Resolution to raise Rs 42bn through NCDs for future M&A activities. Guided that net debt/EBITDA will not exceed 2 to 2.5x (3) MAXHEAT has 8.1mn shares covering 271 employees for ESOPs plans (4) Currently, internationals footfalls are higher than pre-covid level by 4-5% (5) Overheads were lower due to better collection efficiency and reduction in power cost (6) Tax rate guidance range at 18-20%.

Exhibit 1: Q3FY23 Result Overview (Rs mn) – EBITDA above estimates aided by better occupancy and healthy ARPOB

Y/e March	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Net Sales	14,640	13,030	12.4	14,720	(0.5)	43,260	39,500	9.5
COGS	5,730	5,160	11.0	5,750	(0.3)	16,990	16,070	5.7
<i>% of Net Sales</i>	<i>39.1</i>	<i>39.6</i>		<i>39.1</i>		<i>39.3</i>	<i>40.7</i>	
Other Expenses	4,860	4,370	11.2	4,970	(2.2)	14,550	13,000	11.9
<i>% of Net Sales</i>	<i>33.2</i>	<i>33.5</i>		<i>33.8</i>		<i>33.6</i>	<i>32.9</i>	
Total	10,590	9,530	11.1	10,720	(1.2)	31,540	29,070	8.5
EBITDA	4,050	3,500	15.7	4,000	1.3	11,720	10,430	12.4
<i>Margins (%)</i>	<i>27.7</i>	<i>26.9</i>		<i>27.2</i>		<i>27.1</i>	<i>26.4</i>	
Other Income	130	140	(7.1)	100	30.0	260	420	(38.1)
Interest	70	240	(70.8)	140	(50.0)	410	850	(51.8)
Depreciation	630	610	3.3	640	(1.6)	1,920	1,830	4.9
PBT	3,480	2,790	24.7	3,320	4.8	9,650	8,170	18.1
Tax	610	260	134.6	540	13.0	1,610	1,100	46.4
<i>Tax rate (%)</i>	<i>17.5</i>	<i>9.3</i>		<i>16.3</i>		<i>16.7</i>	<i>13.5</i>	
PAT	2,870	2,530	13.4	2,780	3.2	8,040	7,070	13.7
Other comprehensive income/(exp)	-	-		-		-	(190)	
EO items	180	-		(2,330)		(2,040)	240	
Reported PAT	2,690	2,530	6.3	5,110	(47.4)	10,080	6,640	51.8

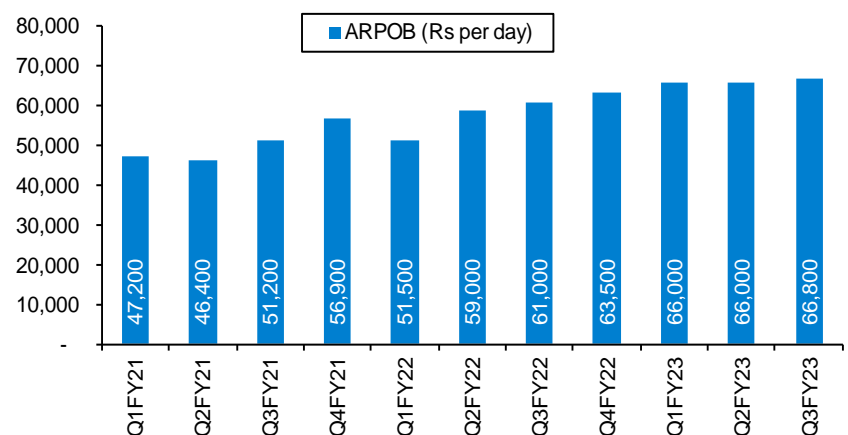
Source: Company, PL

Exhibit 2: Margins remain healthy at ~27.5%



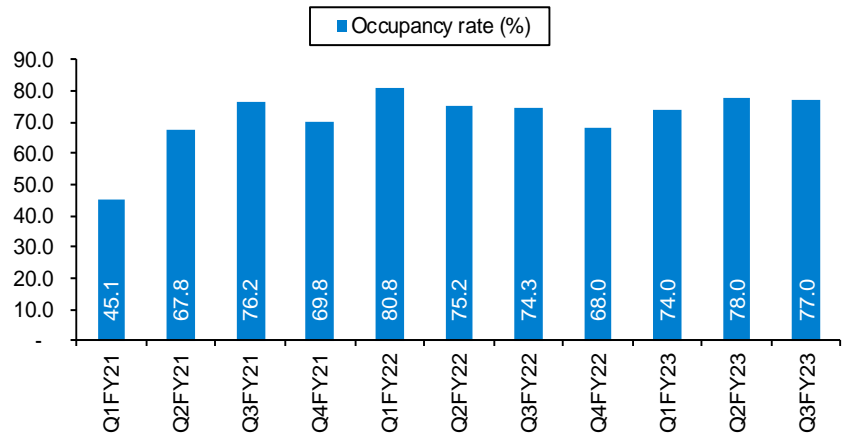
Source: Company, PL

Exhibit 3: Strong ARPOB QoQ- up 1%



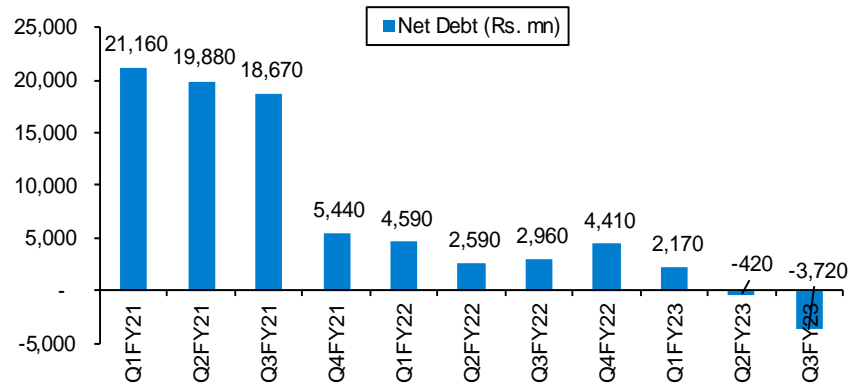
Source: Company, PL

Exhibit 4: Occupancy marginally decline on festive season



Source: Company, PL

Exhibit 5: Continues to generate strong operating cash flow



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	51,710	58,209	63,718	75,715
YoY gr. (%)	43.6	12.6	9.5	18.8
Cost of Goods Sold	13,500	15,134	16,248	19,307
Gross Profit	38,210	43,075	47,470	56,408
Margin (%)	73.9	74.0	74.5	74.5
Employee Cost	18,777	22,701	24,213	28,772
Other Expenses	5,994	4,524	5,801	7,133
EBITDA	13,440	15,850	17,456	20,503
YoY gr. (%)	121.0	17.9	10.1	17.5
Margin (%)	26.0	27.2	27.4	27.1
Depreciation and Amortization	2,480	2,604	2,864	3,151
EBIT	10,960	13,246	14,592	17,352
Margin (%)	21.2	22.8	22.9	22.9
Net Interest	1,120	500	350	250
Other Income	470	400	600	800
Profit Before Tax	10,310	13,146	14,842	17,902
Margin (%)	19.9	22.6	23.3	23.6
Total Tax	1,430	2,366	2,820	3,401
Effective tax rate (%)	13.9	18.0	19.0	19.0
Profit after tax	8,880	10,779	12,022	14,501
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	8,880	10,779	12,022	14,501
YoY gr. (%)	385.2	21.4	11.5	20.6
Margin (%)	17.2	18.5	18.9	19.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,880	10,779	12,022	14,501
YoY gr. (%)	385.2	21.4	11.5	20.6
Margin (%)	17.2	18.5	18.9	19.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,880	10,779	12,022	14,501
Equity Shares O/s (m)	970	970	970	970
EPS (Rs)	9.2	11.1	12.4	15.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	41,500	41,416	46,552	53,171
Tangibles	41,500	41,416	46,552	53,171
Intangibles	-	-	-	-
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	41,500	41,416	46,552	53,171
Tangibles	41,500	41,416	46,552	53,171
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	1,276	1,397	1,660
Trade receivables	4,902	5,767	6,807	7,583
Cash & Bank Balance	6,150	14,628	19,088	24,843
Other Current Assets	-	-	-	-
Total Assets	91,132	1,00,837	1,11,599	1,25,018
Equity				
Equity Share Capital	67,180	77,959	89,981	1,04,482
Other Equity	-	-	-	-
Total Network	67,180	77,959	89,981	1,04,482
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	6,857	7,506	8,920
Other current liabilities	(830)	(670)	(579)	(1,074)
Total Equity & Liabilities	91,132	1,00,837	1,11,599	1,25,018

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	10,310	13,146	14,842	17,902
Add. Depreciation	2,480	2,604	2,864	3,151
Add. Interest	1,120	500	350	250
Less Financial Other Income	470	400	600	800
Add. Other	-	-	-	-
Op. profit before WC changes	13,910	16,250	18,056	21,303
Net Changes-WC	(90)	(1,311)	(1,161)	(1,039)
Direct tax	(1,430)	(2,366)	(2,820)	(3,401)
Net cash from Op. activities	12,390	12,572	14,075	16,863
Capital expenditures	(7,250)	(5,000)	(8,000)	(9,770)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(7,250)	(5,000)	(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)	(500)	(350)	(250)
Others	(2,485)	3,466	536	536
Net cash from Fin. activities	(5,650)	859	(1,755)	(1,655)
Net change in cash	(510)	8,432	4,320	5,438
Free Cash Flow	5,140	7,572	6,075	7,093

Source: Company Data, PL Research

Quarterly Financials (Rs m)

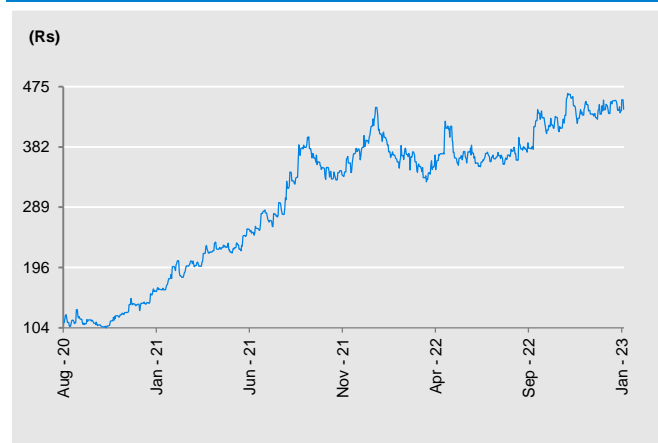
Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	12,210	13,900	14,720	14,640
YoY gr. (%)	12.1	6.3	9.9	12.4
Raw Material Expenses	4,970	5,510	5,750	5,730
Gross Profit	7,240	8,390	8,970	8,910
Margin (%)	59.3	60.4	60.9	60.9
EBITDA	2,990	3,670	4,000	4,050
YoY gr. (%)	13.7	6.4	14.9	15.7
Margin (%)	24.5	26.4	27.2	27.7
Depreciation / Depletion	650	650	640	630
EBIT	2,340	3,020	3,360	3,420
Margin (%)	19.2	21.7	22.8	23.4
Net Interest	270	200	140	70
Other Income	50	30	100	130
Profit before Tax	2,120	2,850	3,320	3,480
Margin (%)	17.4	20.5	22.6	23.8
Total Tax	330	460	540	610
Effective tax rate (%)	15.6	16.1	16.3	17.5
Profit after Tax	1,790	2,390	2,780	2,870
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,720	2,280	5,110	2,690
YoY gr. (%)	57.8	11.2	148.1	6.3
Margin (%)	14.1	16.4	34.7	18.4
Extra Ord. Income / (Exp)	-	-	2330	-
Reported PAT	1,720	2,280	5,110	2,690
YoY gr. (%)	57.8	11.2	148.1	6.3
Margin (%)	14.1	16.4	34.7	18.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,720	2,280	5,110	2,690
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	1.8	2.5	2.9	3.0

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	9.2	11.1	12.4	15.0
CEPS	11.7	13.8	15.4	18.2
BVPS	69.3	80.4	92.8	107.7
FCF	5.3	7.8	6.3	7.3
DPS	-	-	-	-
Return Ratio(%)				
RoCE	15.1	16.4	16.2	17.1
ROIC	12.9	15.4	15.8	17.3
RoE	14.3	14.9	14.3	14.9
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	(3)	1	4	2
Valuation(x)				
PER	47.6	39.2	35.1	29.1
P/B	6.3	5.4	4.7	4.0
P/CEPS	37.2	31.6	28.4	23.9
EV/EBITDA	31.6	26.2	23.4	19.5
EV/Sales	8.2	7.1	6.4	5.3
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	BUY	500	433
2	03-Nov-22	BUY	500	465
3	06-Oct-22	BUY	427	414
4	13-Aug-22	BUY	427	362
5	07-Jul-22	BUY	427	370
6	08-Apr-22	BUY	427	355
7	03-Mar-22	BUY	427	370

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,400	4,387
2	Aster DM Healthcare	BUY	265	228
3	Aurobindo Pharma	Accumulate	550	444
4	Cipla	BUY	1,280	1,035
5	Divi's Laboratories	Hold	3,300	3,462
6	Dr. Reddy's Laboratories	BUY	4,900	4,201
7	Eris Lifesciences	BUY	850	652
8	Fortis Healthcare	BUY	360	285
9	Glenmark Pharmaceuticals	Accumulate	460	434
10	HealthCare Global Enterprises	BUY	375	285
11	Indoco Remedies	BUY	430	363
12	Ipca Laboratories	Accumulate	950	858
13	J.B. Chemicals & Pharmaceuticals	BUY	2,350	1,992
14	Krishna Institute of Medical Sciences	BUY	1,660	1,505
15	Lupin	Hold	650	742
16	Max Healthcare Institute	BUY	500	433
17	Narayana Hrudayalaya	BUY	920	712
18	Sun Pharmaceutical Industries	BUY	1,175	1,035
19	Torrent Pharmaceuticals	BUY	1,820	1,557
20	Zydus Lifesciences	Accumulate	465	433

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



ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Param Desai- MBA Finance, Ms. Sanketa Kohale- MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Param Desai- MBA Finance, Ms. Sanketa Kohale- MBA Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

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

www.plindia.com