

August 9, 2023

## Q1FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	610		565	
Sales (Rs. m)	65,754	78,017	64,293	76,139
% Chng.	2.3	2.5		
EBITDA (Rs. m)	17,974	21,178	17,835	20,973
% Chng.	0.8	1.0		
EPS (Rs.)	12.9	15.5	12.8	15.3
% Chng.	0.9	1.1		

### Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	51,710	58,750	65,754	78,017
EBITDA (Rs. m)	13,440	16,070	17,974	21,178
Margin (%)	26.0	27.4	27.3	27.1
PAT (Rs. m)	8,880	13,670	12,516	15,051
EPS (Rs.)	9.2	14.1	12.9	15.5
Gr. (%)	383.4	53.7	(8.4)	20.3
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	14.3	18.5	14.4	14.9
RoCE (%)	15.1	16.4	16.3	17.2
EV/Sales (x)	10.5	9.1	8.1	6.7
EV/EBITDA (x)	40.6	33.3	29.5	24.7
PE (x)	61.1	39.7	43.4	36.1
P/BV (x)	8.1	6.7	5.8	5.0

### Key Data

MAXI.BO | MAXHEALT IN

52-W High / Low	Rs.630 / Rs.306	
Sensex / Nifty	65,847 / 19,571	
Market Cap	Rs.544bn/ \$ 6,562m	
Shares Outstanding	971m	
3M Avg. Daily Value	Rs.2763.19m	

### Shareholding Pattern (%)

Promoter's	23.76
Foreign	59.89
Domestic Institution	11.43
Public & Others	4.92
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(8.3)	27.8	46.6
Relative	(9.1)	17.8	31.0

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# Max Healthcare Institute (MAXHEALT IN)

Rating: BUY | CMP: Rs560 | TP: Rs610

## Strong performance in seasonally weak quarter

### Quick Pointers:

- Expansion plan largely on track.
- Company commissioned 44 additional beds in Q1.

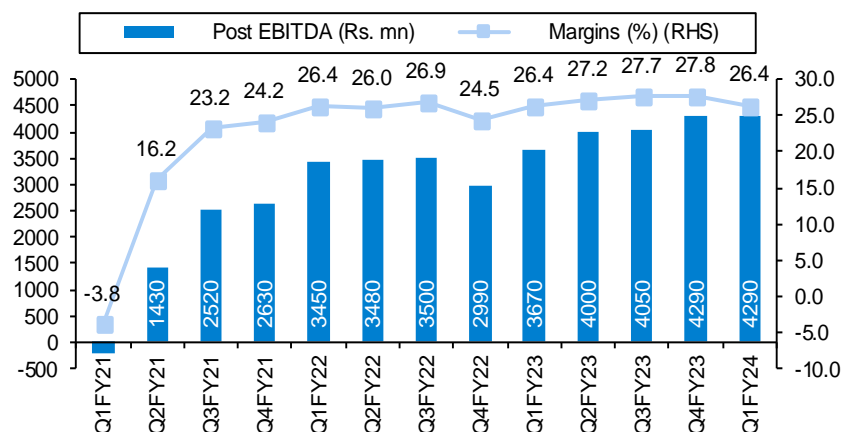
**Max Healthcare Institute (MAXHEALT) reported EBIDTA of Rs4.3bn (up 6% QoQ) came 4% above our estimates, aided by higher ARPOB of Rs.74.8k in Q1 vs Rs.70.7k in Q4. The company showed phenomenal growth in past two years and we expect this momentum to continue given 1) strong expansion plans (+1500 additional beds by FY25E end), 2) improving payor mix (15% revenue contribution from institutional by FY25E vs 18.4% now) and 3) scale up in labs. Operational efficiency has also been commendable, especially in competitive markets like NCR. Our FY24E/25E EBIDTA broadly remain unchanged and expect 15% EBIDTA CAGR over FY23-25E. We ascribe 27x EV/EBIDTA (25x earlier) based on FY25E. Maintain 'BUY' rating with a revised target price of Rs. 610/share (earlier Rs 565/share).**

- EBIDTA beat by 4%; aided by higher ARPOB:** MAXHEALT reported EBIDTA of Rs 4.3bn (flat QoQ) vs our estimate of Rs4.1bn. Sequentially, margins declined by ~135 bps to 26.4%. Overall occupancy stood at 74%; vs 77% QoQ, while ARPOB further improved QoQ to Rs.74.8K (up 6% QoQ) due to combination of price hike and improved case mix.
- Strong revenues; 44 new beds addition in Q1:** Consolidated revenues grew by 17% YoY (5% QoQ) to Rs. 16.2bn vs our estimate of Rs15.2bn. PAT improved 29% YoY to Rs. 3.1bn; aided by lower finance cost. International business contribution came in at 8.9% (9.1% in Q4FY23). Institutional share was at 18.4% vs 17.5% in Q4. Max Lab and Max@Home revenue stood at Rs 340mn and Rs 400mn, respectively. In Q1, the company commissioned 44 beds in addition to 92 beds oncology block in Shalimar Bagh in March 2023, where average occupancy was at 77% for Q1.
- Key con-call takeaways: (1) Capex:** Capex guidance for capacity expansion at ~Rs.9bn for FY24E; in addition to Rs1.8bn for maintenance capex. Max incurred Rs. 1.1bn of capex in Q1. **(2) Expansion plans- Dwarka (300 beds):** Hospital to be commissioned in Q4FY24. **Nanavati (329 beds):** Excavation and related work almost complete while steel fabrication/wall casting is WIP. Expected to be commissioned by Q4FY25 / Q1FY26. **Sector 56 Gurgaon (300 beds):** 50% site excavation complete. EPC contract in final execution stage. **Max Smart (350 beds):** Finally received long-delayed forest approvals. **Vikrant Saket (300 beds):** Received environment clearance. Reconstituted fire safety plans to be submitted for approval in Sep'23. **(3) Payor mix:** Institutional patient's share was at 29.7% vs 30.3% in Q1FY23. Excluding Shalimar, it dropped to 27.4% from 30.1% YoY. Shalimar Bagh – Focus here is to increase occupancy at the cost of optimal payor mix. **(4) ARPOB:** 5% increase in total billing for PSU contract. Impact of revision in CGHS rate tariff in April'23 on ARPOB was less than 0.6% on blended basis. Revisions in few more segments expected in Q2. **(5) Deal with CARE hospitals** is sub-judice; Max has filed an appeal in HC. **(6) Company remains net cash at Rs9.6bn.**

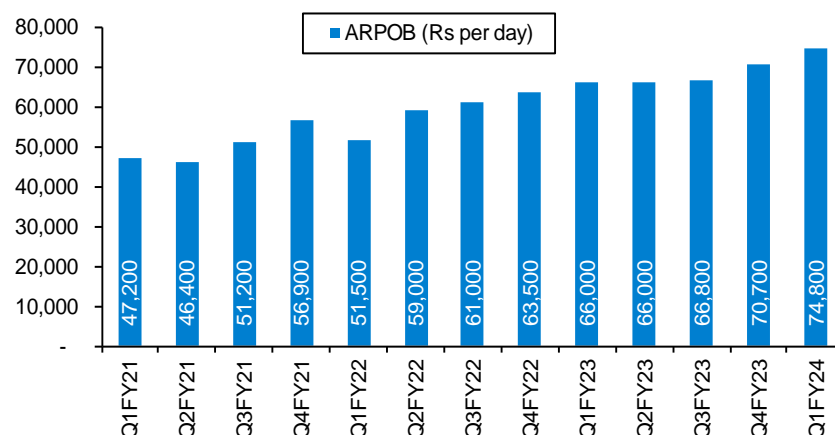
**Exhibit 1: Q4FY23 Result Overview (Rs mn) – EBITDA above estimates aided by higher ARPOB**

Y/e March	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
<b>Net Sales</b>	<b>16,220</b>	<b>13,900</b>	<b>16.7</b>	<b>15,440</b>	<b>5.1</b>	<b>65,754</b>	<b>58,750</b>	<b>11.9</b>
COGS	6,500	5,510	18.0	6,050	7.4	16,767	13,920	20.5
<i>% of Net Sales</i>	<i>40.1</i>	<i>39.6</i>		<i>39.2</i>		<i>25.5</i>	<i>23.7</i>	
Other Expenses	5,430	4,720	15.0	5,100	6.5	31,013	28,760	7.8
<i>% of Net Sales</i>	<i>35.2</i>	<i>34.0</i>		<i>33.0</i>		<i>52.8</i>	<i>49.0</i>	
<b>Total</b>	<b>11,930</b>	<b>10,230</b>	<b>16.6</b>	<b>11,150</b>	<b>7.0</b>	<b>47,780</b>	<b>42,680</b>	<b>12.0</b>
<b>EBITDA</b>	<b>4,290</b>	<b>3,670</b>	<b>16.9</b>	<b>4,290</b>	<b>-</b>	<b>17,974</b>	<b>16,070</b>	<b>11.8</b>
<i>Margins (%)</i>	<i>26.4</i>	<i>26.4</i>		<i>27.8</i>		<i>27.3</i>	<i>27.4</i>	
Other Income	70	30	133.3	70	-	500	290	72.4
Interest	(30)	200	(115.0)	(20)	50.0	350	390	(10.3)
Depreciation	640	650	(1.5)	690	(7.2)	2,860	2,600	10.0
<b>PBT</b>	<b>3,750</b>	<b>2,850</b>	<b>31.6</b>	<b>3,690</b>	<b>1.6</b>	<b>15,264</b>	<b>13,370</b>	<b>14.2</b>
Tax	660	460	43.5	520	26.9	2,747	(300)	(1,015.8)
<i>Tax rate (%)</i>	<i>17.6</i>	<i>16.1</i>		<i>14.1</i>		<i>18.0</i>	<i>(2.2)</i>	
<b>PAT</b>	<b>3,090</b>	<b>2,390</b>	<b>29.3</b>	<b>3,170</b>	<b>(2.5)</b>	<b>12,516</b>	<b>13,670</b>	<b>(8.4)</b>
Other comprehensive income/(exp)	-	-		-			(40)	
EO items	190	110	72.7	(20)	(1,050.0)		340	
<b>Reported PAT</b>	<b>2,900</b>	<b>2,280</b>	<b>27.2</b>	<b>3,190</b>	<b>(9.1)</b>	<b>12,516</b>	<b>13,290</b>	<b>(5.8)</b>

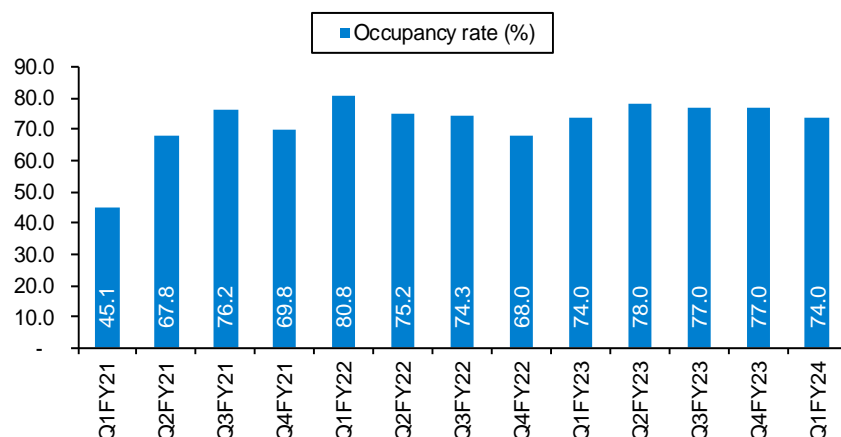
Source: Company, PL

**Exhibit 2: Margins remains steady at 26.4%**


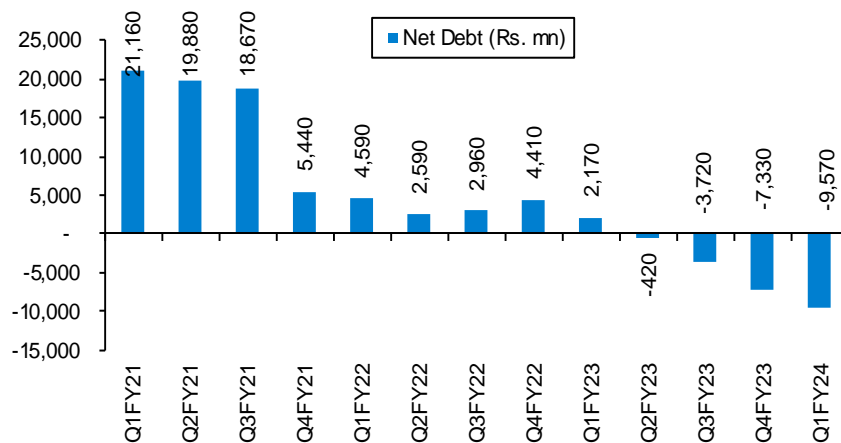
Source: Company, PL

**Exhibit 3: Strong ARPOB led by price revision and case mix**


Source: Company, PL

**Exhibit 4: Occupancy decline QoQ on seasonality**


Source: Company, PL

**Exhibit 5: Net cash further increased by Rs. 2.2bn QoQ**


Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>51,710</b>	<b>58,750</b>	<b>65,754</b>	<b>78,017</b>
YoY gr. (%)	43.6	13.6	11.9	18.6
Cost of Goods Sold	13,500	13,920	16,767	19,894
Gross Profit	38,210	44,830	48,987	58,123
Margin (%)	73.9	76.3	74.5	74.5
Employee Cost	18,777	20,883	23,014	27,306
Other Expenses	5,994	7,878	7,999	9,639
<b>EBITDA</b>	<b>13,440</b>	<b>16,070</b>	<b>17,974</b>	<b>21,178</b>
YoY gr. (%)	121.0	19.6	11.8	17.8
Margin (%)	26.0	27.4	27.3	27.1
Depreciation and Amortization	2,480	2,600	2,860	3,146
<b>EBIT</b>	<b>10,960</b>	<b>13,470</b>	<b>15,114</b>	<b>18,032</b>
Margin (%)	21.2	22.9	23.0	23.1
Net Interest	1,120	390	350	250
Other Income	470	290	500	800
<b>Profit Before Tax</b>	<b>10,310</b>	<b>13,370</b>	<b>15,264</b>	<b>18,582</b>
Margin (%)	19.9	22.8	23.2	23.8
Total Tax	1,430	(300)	2,747	3,531
Effective tax rate (%)	13.9	(2.2)	18.0	19.0
<b>Profit after tax</b>	<b>8,880</b>	<b>13,670</b>	<b>12,516</b>	<b>15,051</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>8,880</b>	<b>13,670</b>	<b>12,516</b>	<b>15,051</b>
YoY gr. (%)	385.2	53.9	(8.4)	20.3
Margin (%)	17.2	23.3	19.0	19.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>8,880</b>	<b>13,670</b>	<b>12,516</b>	<b>15,051</b>
YoY gr. (%)	385.2	53.9	(8.4)	20.3
Margin (%)	17.2	23.3	19.0	19.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,880	13,670	12,516	15,051
<b>Equity Shares O/s (m)</b>	<b>970</b>	<b>971</b>	<b>971</b>	<b>971</b>
<b>EPS (Rs)</b>	<b>9.2</b>	<b>14.1</b>	<b>12.9</b>	<b>15.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>41,500</b>	<b>43,420</b>	<b>48,440</b>	<b>55,294</b>
Tangibles	41,500	43,420	48,440	55,294
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>41,500</b>	<b>43,420</b>	<b>48,440</b>	<b>55,294</b>
Tangibles	41,500	43,420	48,440	55,294
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)	500	500	500
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	830	1,040	1,441	1,710
Trade receivables	4,902	5,845	7,114	7,961
Cash & Bank Balance	6,150	15,650	17,590	23,380
Other Current Assets	-	-	-	-
<b>Total Assets</b>	<b>91,132</b>	<b>1,03,705</b>	<b>1,12,341</b>	<b>1,26,107</b>
<b>Equity</b>				
Equity Share Capital	67,180	80,700	93,216	1,08,268
Other Equity	-	-	-	-
<b>Total Networth</b>	<b>67,180</b>	<b>80,700</b>	<b>93,216</b>	<b>1,08,268</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	9,180	6,820	4,820	2,820
Provisions	-	-	-	-
Other non current liabilities	4,250	4,400	4,400	4,400
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,092	6,921	7,746	9,191
Other current liabilities	(830)	2,474	(231)	(961)
<b>Total Equity &amp; Liabilities</b>	<b>91,132</b>	<b>1,03,705</b>	<b>1,12,341</b>	<b>1,26,107</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	10,310	13,370	15,264	18,582
Add. Depreciation	2,480	2,600	2,860	3,146
Add. Interest	1,120	390	350	250
Less Financial Other Income	470	290	500	800
Add. Other	-	-	-	-
Op. profit before WC changes	13,910	16,360	18,474	21,978
Net Changes-WC	(90)	(1,154)	(1,670)	(1,116)
Direct tax	(1,430)	300	(2,747)	(3,531)
<b>Net cash from Op. activities</b>	<b>12,390</b>	<b>15,506</b>	<b>14,057</b>	<b>17,331</b>
Capital expenditures	(7,250)	(4,200)	(11,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Invt. activities</b>	<b>(7,250)</b>	<b>(4,200)</b>	<b>(11,000)</b>	<b>(10,000)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(2,100)	(2,360)	(2,000)	(2,000)
Dividend paid	55	-	(1,087)	(1,087)
Interest paid	(1,120)	(390)	(350)	(250)
Others	(2,485)	944	2,321	1,796
<b>Net cash from Fin. activities</b>	<b>(5,650)</b>	<b>(1,806)</b>	<b>(1,117)</b>	<b>(1,541)</b>
<b>Net change in cash</b>	<b>(510)</b>	<b>9,500</b>	<b>1,940</b>	<b>5,790</b>
Free Cash Flow	5,140	11,306	3,057	7,331

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	9.2	14.1	12.9	15.5
CEPS	11.7	16.8	15.8	18.7
BVPS	69.3	83.1	96.0	111.5
FCF	5.3	11.6	3.1	7.6
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	15.1	16.4	16.3	17.2
ROIC	12.9	15.3	16.0	17.6
RoE	14.3	18.5	14.4	14.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	(3)	0	4	2
<b>Valuation(x)</b>				
PER	61.1	39.7	43.4	36.1
P/B	8.1	6.7	5.8	5.0
P/CEPS	47.8	33.4	35.3	29.9
EV/EBITDA	40.6	33.3	29.5	24.7
EV/Sales	10.5	9.1	8.1	6.7
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

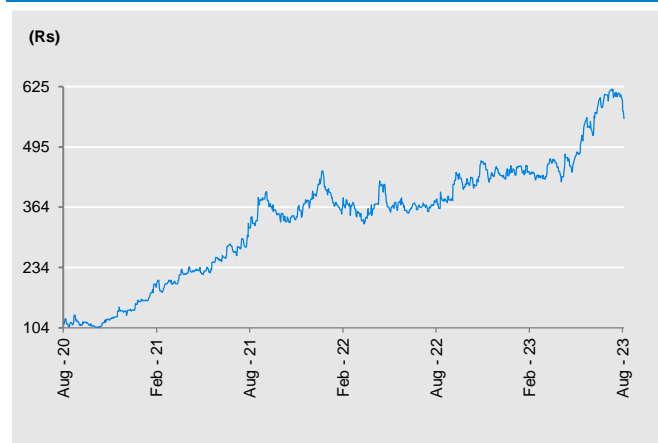
## Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
<b>Net Revenue</b>	<b>14,720</b>	<b>14,640</b>	<b>15,440</b>	<b>16,220</b>
YoY gr. (%)	9.9	12.4	26.5	16.7
Raw Material Expenses	5,750	5,730	6,050	6,500
Gross Profit	8,970	8,910	9,390	9,720
Margin (%)	60.9	60.9	60.8	59.9
<b>EBITDA</b>	<b>4,000</b>	<b>4,050</b>	<b>4,290</b>	<b>4,290</b>
YoY gr. (%)	14.9	15.7	43.5	16.9
Margin (%)	27.2	27.7	27.8	26.4
Depreciation / Depletion	640	630	690	640
<b>EBIT</b>	<b>3,360</b>	<b>3,420</b>	<b>3,600</b>	<b>3,650</b>
Margin (%)	22.8	23.4	23.3	22.5
Net Interest	140	70	(20)	(30)
Other Income	100	130	70	70
<b>Profit before Tax</b>	<b>3,320</b>	<b>3,480</b>	<b>3,690</b>	<b>3,750</b>
Margin (%)	22.6	23.8	23.9	23.1
Total Tax	540	610	520	660
Effective tax rate (%)	16.3	17.5	14.1	17.6
<b>Profit after Tax</b>	<b>2,780</b>	<b>2,870</b>	<b>3,170</b>	<b>3,090</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>5,110</b>	<b>2,690</b>	<b>3,190</b>	<b>2,900</b>
YoY gr. (%)	148.1	6.3	85.5	27.2
Margin (%)	34.7	18.4	20.7	17.9
Extra Ord. Income / (Exp)	(2,330)	180	(20)	190
<b>Reported PAT</b>	<b>2,780</b>	<b>2,870</b>	<b>3,170</b>	<b>3,090</b>
YoY gr. (%)	20.9	13.4	77.1	29.3
Margin (%)	18.9	19.6	20.5	19.1
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>2,780</b>	<b>2,870</b>	<b>3,170</b>	<b>3,090</b>
Avg. Shares O/s (m)	-	-	-	-
<b>EPS (Rs)</b>	<b>2.9</b>	<b>3.0</b>	<b>3.3</b>	<b>3.2</b>

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	BUY	565	614
2	17-May-23	BUY	565	523
3	06-Apr-23	BUY	500	419
4	05-Feb-23	BUY	500	436
5	06-Jan-23	BUY	500	433
6	03-Nov-22	BUY	500	465
7	06-Oct-22	BUY	427	414
8	13-Aug-22	BUY	427	362

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,300	5,283
2	Aster DM Healthcare	BUY	335	311
3	Aurobindo Pharma	BUY	660	761
4	Cipla	BUY	1,220	1,069
5	Divi's Laboratories	Hold	2,700	3,737
6	Dr. Reddy's Laboratories	Reduce	5,150	5,476
7	Eris Lifesciences	BUY	910	828
8	Fortis Healthcare	BUY	365	324
9	Glenmark Pharmaceuticals	Reduce	570	668
10	HealthCare Global Enterprises	BUY	375	326
11	Indoco Remedies	BUY	380	324
12	Ipca Laboratories	Hold	750	760
13	J.B. Chemicals & Pharmaceuticals	BUY	2,450	2,314
14	Krishna Institute of Medical Sciences	BUY	2,000	1,831
15	Lupin	Hold	1,010	1,064
16	Max Healthcare Institute	BUY	565	614
17	Narayana Hrudayalaya	BUY	1,110	1,010
18	Sun Pharmaceutical Industries	BUY	1,265	1,141
19	Torrent Pharmaceuticals	BUY	2,250	2,055
20	Zydus Lifesciences	Accumulate	520	588

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: 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.

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