

**MHL's Q3FY25 EBITDA missed street/our estimates by 9%/4%, with revenue growing 11% YoY driven by B2C revenue improving 15% YoY. Owing to the implementation of various micro-market strategies, the management expects 13% revenue growth for Q4 with +25% margin. MHL has identified various B2C local market leaders (especially in the North) that can be acquired and then easily ramped up – similar to its actions with Core Diagnostics. This, coupled with focus shifting toward improving catchment areas of newly-opened labs FY26 onward, should bode well for the revenue trajectory ahead. Despite Core's margin profile being subpar, we expect margins to expand by 100bps over FY25-27E owing to MHL's aggressive network expansion coming to an end by FY25. Baking in the Q3 miss, we trim Dec-25E TP by ~2% to R2,350 (basis DCF), implying FY27E PER of 47x (CMP implies 11% discount to DLPL on 2YF PER).**

#### Metropolis Healthcare: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	11,482	12,077	13,586	16,604	18,795
EBITDA	2,883	2,826	3,357	4,160	4,803
Adj. PAT	1,434	1,278	1,632	2,114	2,589
Adj. EPS (Rs)	28.0	25.0	31.6	40.9	50.1
EBITDA margin (%)	25.1	23.4	24.7	25.1	25.6
EBITDA growth (%)	(15.9)	(2.0)	18.8	23.9	15.5
Adj. EPS growth (%)	(33.0)	(11.0)	26.6	29.6	22.5
RoE (%)	15.3	12.3	13.5	15.0	16.2
RoIC (%)	17.1	15.6	16.8	20.5	25.4
P/E (x)	64.4	72.4	57.2	44.1	36.1
EV/EBITDA (x)	32.0	32.5	27.6	21.9	18.4
P/B (x)	9.3	8.4	7.1	6.3	5.5
FCFF yield (%)	2.1	2.2	2.4	3.3	3.9

Source: Company, Emkay Research

#### Volumes disappoint in a seasonally weak quarter

MHL reported a muted quarter, with revenues growing 11% YoY. Patient volumes were reported at 3.1mn, up 4% YoY, with realizations improving 6% YoY. The management attributed the muted volumes to a lower incidence of acute illnesses. B2C revenues grew 15% YoY with RPP increasing 10% YoY, driving overall revenues. The B2B segment grew 10% YoY with RPP rising 6% YoY. Volumes of these segments grew 5% and 4% YoY, respectively. Strategic focal segments like Wellness/Specialized Testing grew 25%/13% YoY, contributing 17%/37% to the topline, respectively. Owing to slow growth in volumes, EBITDA margin was flat YoY at 22.3%. Reported PAT of Rs315mn missed our estimates by 13%. The company added 125 centers and 7 new labs in Q3. Net cash position as of Dec-24 end was Rs2bn and working capital days stood at 13.

#### Outlook and risks

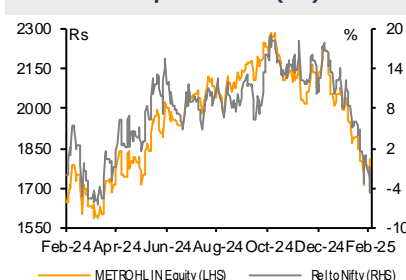
The management has undertaken various micro marketing strategies, including 1) price rationalization; 2) revamp of partner model enhancing engagement; 3) efficiency improvements like improving TAT; 4) market specific test menus. These initiatives are likely to result in a 2% improvement in Q4FY25 revenue coupled with margin expansion. With focus on integrating Core Diagnostics in addition to identifying small B2C market leaders in North India, MHL seems to be on track to improve its B2C mix which should aid the revenue trajectory ahead. With focus shifting on expanding catchment areas of newly-opened labs over the last 2/3 years, we believe margins will expand (despite integration of Core which will take 2-3 years to reach MHL's margin profile) over FY25-27E by ~100bps. Baking in the Core acquisition, we expect the company to clock 16% revenue CAGR (13% ex Core) during FY24-27E. Its strong balance sheet (net cash of Rs2bn), continued robust cash generation (FY27 FCF yield of 4%), and improving return ratios provide comfort on valuations. **Key risks:** Increased competition in the organized market from growing hospital chains, predatory pricing from any market participants, and adverse regulatory ruling around pricing cap for healthcare services.

Target Price – 12M	Sep-25
Change in TP (%)	(2.1)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	30.1
CMP (05-Feb-25) (Rs)	1,806.0

Stock Data	Ticker
52-week High (Rs)	2,318
52-week Low (Rs)	1,551
Shares outstanding (mn)	51.3
Market-cap (Rs bn)	93
Market-cap (USD mn)	1,059
Net-debt, FY25E (Rs mn)	-670
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	367.8
ADTV-3M (USD mn)	4.2
Free float (%)	-
Nifty-50	23,696
INR/USD	87.5
<b>Shareholding, Dec-24</b>	
Promoters (%)	49.4
FPIs/MFs (%)	16.7/30.0

Price Performance			
(%)	1M	3M	12M
Absolute	(9.6)	(16.0)	8.4
Rel. to Nifty	(8.4)	(14.1)	(0.4)

#### 1-Year share price trend (Rs)



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**Exhibit 1: Summary of quarterly financials**

Particulars (Rs mn)	Q3FY24	Q2FY25	Q3FY25	YoY	QoQ
Net sales	2,911	3,498	3,228	11%	-8%
Operating Expenses	(2,263)	(2,599)	(2,508)	11%	-4%
Medical consumable costs	593	725	669	13%	-8%
Employee Costs	695	784	814	17%	4%
SG&A expenses	974	1,089	1,024	5%	-6%
EBITDA	648	899	720	11%	-20%
Margins	22.3%	25.7%	22.3%	0%	-13%
Depreciation	(250)	(268)	(277)	11%	3%
EBIT	399	631	443	11%	-30%
Other Income	23	31	26	11%	-18%
Interest	(53)	(48)	(45)	-15%	-5%
Extra ordinary items					
PBT	369	614	423	15%	-31%
Tax	(96)	(147)	(109)	14%	-26%
PAT	273	467	315	15%	-33%
Adj. PAT	273	467	315	15%	-33%
Minority interest	1	2	1	-13%	-36%
PAT ex MI	272	465	314	15%	-33%
EPS (Rs)	5.3	9.1	6.2	15%	-33%
(%)	Q3FY24	Q2FY25	Q3FY25	YoY (bps)	QoQ (bps)
Gross Margin	79.6%	79.3%	79.3%	-36	-0
EBITDA	22.3%	25.7%	22.3%	3	-338
EBIT	13.7%	18.0%	13.7%	4	-430
EBT	12.7%	17.6%	13.1%	46	-444
PAT	9.3%	13.3%	9.7%	39	-358
Effective Tax rate	26.0%	23.9%	25.7%	-30	171

Source: Company, Bloomberg

**Exhibit 2: Actuals vs estimates (Q3FY25)**

(Rs mn)	Actual	Estimate (Emkay)	Consensus estimate (Bloomberg)	Variation	
				Emkay	Consensus
Revenue	3,228	3,203	3,266	1%	-1%
EBITDA	720	753	791	-4%	-9%
EBITDA Margin	22%	24%	24%	-119 bps	-191 bps
PAT	315	361	371	-13%	-15%

Source: Company, Emkay Research

**Exhibit 3: Change in estimates**

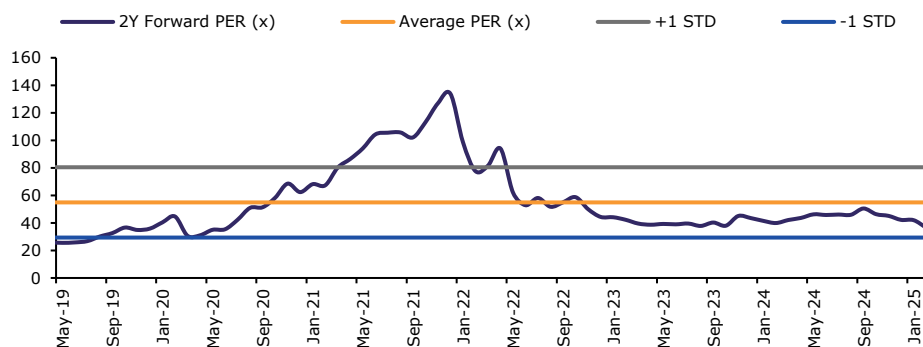
Particulars (Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	13,393	13,586	1.4%	15,184	16,604	9.4%	17,203	18,795	9.3%
EBITDA	3,347	3,357	0.3%	3,973	4,160	4.7%	4,638	4,803	3.5%
EBITDA Margin	25.0%	24.7%	-28 bps	26.2%	25.1%	-111 bps	27.0%	25.6%	-141 bps
PAT	1,688	1,632	-3.3%	2,161	2,114	-2.2%	2,669	2,589	-3.0%

Source: Company, Emkay Research

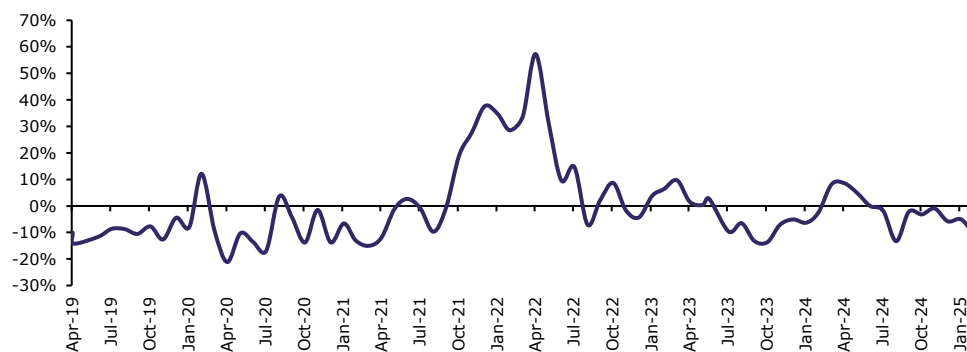
**Exhibit 4: We value Metropolis at Rs2,350/share**

(Rs mn)	FY24	FY25E	FY26E	FY27E	FY30E	FY35E
Revenue	12,078	13,589	16,604	18,795	26,983	41,866
Growth	5%	13%	22%	13%	9%	9%
NOPAT	1,439	1,736	2,253	2,699	4,520	7,013
Non-cash items	945	1,088	1,214	1,274	1,255	1,947
Change in WC	(69)	82	(64)	29	53	58
Capex	(526)	(638)	(503)	(478)	(453)	(837)
FCFF	1,788	2,268	2,900	3,524	5,375	8,180
WACC	10.8%					
Terminal growth	6%					
PV of CFs (FY24-45E)	57,468					
PV of terminal value	55,140					
Total EV	112,609					
(Less) net debt (FY25)	(670)					
Total equity value	113,279					
Total no of shares (mn)	52					
Target price - Dec-25E (Rs)	2,350					

Source: Company, Emkay Research

**Exhibit 5: Metropolis is currently trading near its -1SD 2Y fwd PER**

Source: Bloomberg, Emkay Research

**Exhibit 6: Metropolis is currently trading at 11% discount to DLPL on 2Y fwd PER**

Source: Bloomberg, Emkay Research

## Concall highlights

- The management guided for revenue growth of 13% in Q4FY25. Margin guidance: >25% as the new initiatives are likely to improve realizations by 2% in the quarter.
- Sameer Patel will be joining the firm within a week. His background is in audit services at Deloitte, and thereafter business and finance roles in retail chains. In his previous appointment, we has been with a large public-listed QSR chain for eight years where he largely served as the CFO.
- The management suggested that the acquisition of Core Diagnostics will be completed within 4-6 weeks and numbers would be integrated from Q1FY26. The management guided to Core margins being lower than the Group's for the first 12 months; this will lead to margin dilution, which shall take almost 2 years to ramp up. But the asset shall be EPS-accretive from FY26 itself.
- The management introduced the new micro market strategies that it has put in practice for improving volumes and realizations: 1) Customized pricing at local market levels, competitive to the standalone unorganized players in the micro setup. 2) Revamped partnership models for enhancing partner autonomy to increase operational efficiencies. 3) Re-visited logistics arrangements and re-strategized the supply chain to improve TAT. 4) Providing customized test menus at micro market levels on the back of different geographical needs.
- After the recent price revisions, the management has witnessed an average realization jump of 2% from previous pricing levels.
- The management guided to shifting focus to adding new centers going forward, from earlier aim of adding new labs. Lab additions shall be limited to 5-6 new asset additions each year, while center expansion shall be exponential for the next 3-4 years with plans to reach ~30 centers per lab, currently at ~21.
- The management witnessed an unanticipated low volume of acute patients in Q3FY25. Analysis suggest that in Q3, chronic diseases did fairly well, but acute illnesses were lower. As most of the business covers acute profiles, the volume impact in Q3 has been surprising. However, the management considers this a temporary seasonal fluctuation, and early indicators suggest a rebound in volume in Q4, as seen in H1.
- Given that Mumbai is a mature market with considerable competition and 16% growth, the management is still confident about garnering more market share in B2C.
- The management was vocal about consolidation not being the only way to log growth. Inorganic expansions are the way forward for the business to penetrate into new markets, but only organic strategies would help improve growth.
- The management reiterated increasing focus on penetrating tier 3 and 4 markets, especially in the North and East, with strong growth expectations on the back of acquisition of local market leaders who have operational inefficiencies and cannot scale up. Organically, growth shall happen from enhancement of the test menu and wellness portfolios, to see good traction in these regions.
- The management suggested that online players have garnered market share from the unorganized sector and not as per the general belief of cannibalizing shares of incumbent players. Online players are currently growing at industry levels albeit are still unprofitable.
- TruHealth offerings are largely driven by B2C channels and brick and mortar stores. The business has seen B2B participation in this very recently, with growth at 20%.
- The Maharashtra cluster has only Mumbai and Pune in its focus criteria. Seeding assets are currently underperforming due to low B2C presence. The management suggested that better infrastructure and execution capabilities will aid improvement in this geography.

Metropolis Healthcare: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	11,482	12,077	13,586	16,604	18,795
Revenue growth (%)	(6.5)	5.2	12.5	22.2	13.2
EBITDA	2,883	2,826	3,357	4,160	4,803
EBITDA growth (%)	(15.9)	(2.0)	18.8	23.9	15.5
Depreciation & Amortization	892	945	1,088	1,214	1,274
EBIT	1,991	1,881	2,269	2,946	3,529
EBIT growth (%)	(28.8)	(5.5)	20.6	29.8	19.8
Other operating income	0	0	0	0	0
Other income	152	91	112	145	204
Financial expense	268	225	190	228	228
PBT	1,875	1,747	2,192	2,863	3,505
Extraordinary items	0	0	0	0	0
Taxes	441	462	554	744	911
Minority interest	0	(6)	(6)	(5)	(5)
Income from JV/Associates	0	0	0	0	0
Reported PAT	1,434	1,278	1,632	2,114	2,589
PAT growth (%)	(33.0)	(10.9)	27.7	29.6	22.5
Adjusted PAT	1,434	1,278	1,632	2,114	2,589
Diluted EPS (Rs)	28.0	25.0	31.6	40.9	50.1
Diluted EPS growth (%)	(33.0)	(11.0)	26.6	29.6	22.5
DPS (Rs)	12.0	12.0	9.0	9.0	9.0
Dividend payout (%)	(42.8)	(48.1)	(28.5)	(22.0)	(18.0)
EBITDA margin (%)	25.1	23.4	24.7	25.1	25.6
EBIT margin (%)	17.3	15.6	16.7	17.7	18.8
Effective tax rate (%)	23.5	26.5	25.3	26.0	26.0
NOPLAT (pre-IndAS)	1,522	1,383	1,696	2,180	2,611
Shares outstanding (mn)	51.1	51.2	51.7	51.7	51.7

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,875	1,747	2,192	2,863	3,505
Others (non-cash items)	0	0	0	0	0
Taxes paid	(441)	(462)	(554)	(744)	(911)
Change in NWC	780	254	(332)	(186)	(279)
Operating cash flow	2,471	2,641	2,721	3,479	3,863
Capital expenditure	(526)	(638)	(503)	(478)	(445)
Acquisition of business	7	(400)	0	0	0
Interest & dividend income	57	33	0	0	0
Investing cash flow	468	(894)	(2,959)	(833)	(341)
Equity raised/(repaid)	0	0	1	0	0
Debt raised/(repaid)	(1,795)	(791)	0	0	0
Payment of lease liabilities	0	592	250	250	250
Interest paid	(268)	(225)	(190)	(228)	(228)
Dividend paid (incl tax)	(614)	(615)	(465)	(465)	(465)
Others	(1,000)	(336)	850	(250)	(250)
Financing cash flow	(3,676)	(1,967)	196	(943)	(943)
Net chg in Cash	(737)	(220)	(42)	1,704	2,579
OCF	2,471	2,641	2,721	3,479	3,863
Adj. OCF (w/o NWC chg.)	3,251	2,895	2,390	3,293	3,584
FCFF	1,945	2,003	2,218	3,001	3,418
FCFE	1,734	1,810	2,029	2,774	3,190
OCF/EBITDA (%)	85.7	93.5	81.1	83.6	80.4
FCFE/PAT (%)	120.9	141.6	124.3	131.2	123.2
FCFF/NOPLAT (%)	127.7	144.8	130.8	137.7	130.9

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	102	102	104	104	104
Reserves & Surplus	9,780	10,859	13,131	14,785	16,914
Net worth	9,882	10,962	13,235	14,889	17,017
Minority interests	25	31	31	31	31
Deferred tax liability (net)	713	674	674	674	674
Total debt	791	0	0	0	0
Total liabilities & equity	11,411	11,667	13,940	15,594	17,722
Net tangible fixed assets	1,372	1,559	2,457	2,450	2,350
Net intangible assets	3,553	3,863	3,685	3,506	3,328
Net ROU assets	1,734	1,801	1,397	1,346	895
Capital WIP	0	0	0	0	0
Goodwill	4,547	4,547	6,215	6,215	6,215
Investments [JV/Associates]	148	548	548	548	548
Cash & equivalents	932	712	670	2,374	4,953
Current assets (ex-cash)	2,465	2,443	2,649	2,834	3,043
Current Liab. & Prov.	3,536	3,807	3,682	3,680	3,611
NWC (ex-cash)	(1,071)	(1,364)	(1,032)	(846)	(567)
Total assets	11,411	11,667	13,940	15,594	17,722
Net debt	(141)	(712)	(670)	(2,374)	(4,953)
Capital employed	11,411	11,667	13,940	15,594	17,722
Invested capital	10,331	10,406	12,721	12,671	12,221
BVPS (Rs)	193.3	214.0	256.1	288.1	329.3
Net Debt/Equity (x)	0.0	(0.1)	(0.1)	(0.2)	(0.3)
Net Debt/EBITDA (x)	0.0	(0.3)	(0.2)	(0.6)	(1.0)
Interest coverage (x)	0.1	0.1	0.1	0.1	0.1
RoCE (%)	16.2	14.8	16.1	18.6	20.2

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	64.4	72.4	57.2	44.1	36.1
P/CE(x)	39.7	41.6	34.3	28.0	24.2
P/B (x)	9.3	8.4	7.1	6.3	5.5
EV/Sales (x)	8.0	7.6	6.8	5.5	4.7
EV/EBITDA (x)	32.0	32.5	27.6	21.9	18.4
EV/EBIT(x)	46.3	48.8	40.8	30.9	25.0
EV/IC (x)	8.9	8.8	7.3	7.2	7.2
FCFF yield (%)	2.1	2.2	2.4	3.3	3.9
FCFE yield (%)	1.9	2.0	2.2	3.0	3.4
Dividend yield (%)	0.7	0.7	0.5	0.5	0.5
DuPont-RoE split					
Net profit margin (%)	12.5	10.6	12.0	12.7	13.8
Total asset turnover (x)	2.1	1.8	1.9	2.0	2.2
Assets/Equity (x)	1.3	1.1	1.1	1.1	1.0
RoE (%)	15.3	12.2	13.5	15.0	16.2
DuPont-RoIC					
NOPLAT margin (%)	13.3	11.5	12.5	13.1	13.9
IC turnover (x)	1.0	1.0	1.0	1.2	1.4
RoIC (%)	17.1	15.6	16.8	20.5	25.4
Operating metrics					
Core NWC days	23.0	19.8	19.8	14.8	13.6
Total NWC days	23.0	19.8	19.8	14.8	13.6
Fixed asset turnover	2.1	1.8	1.9	2.0	2.2
Opex-to-revenue (%)	52.3	55.4	54.1	54.3	53.8

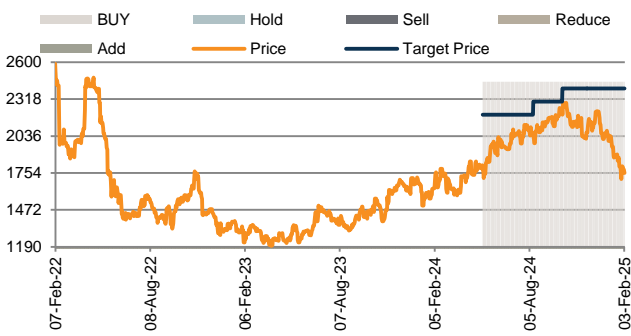
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
10-Dec-24	2,221	2,400	Buy	Anshul Agrawal
11-Nov-24	2,155	2,400	Buy	Anshul Agrawal
07-Oct-24	2,198	2,400	Buy	Anshul Agrawal
12-Aug-24	2,039	2,300	Buy	Anshul Agrawal
22-May-24	1,956	2,200	Buy	Anshul Agrawal
07-May-24	1,779	2,200	Buy	Anshul Agrawal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>SELL</b>	<15% downside

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