Max Healthcare Institute Ltd

Hospital

BUY
Target Price
1315

Steady Margins; Accelerated Growth Path

Est. Vs. Actual for Q3FY25: Revenue: **BEAT**; EBITDA Margin: **BEAT**; PAT: **MISS**

Changes in Estimates post Q3FY25

FY25E/FY26E: Revenue: 0.0%/0.0%; **EBITDA Abs:** 0.0%/0.0%; **PAT:** 0.0%/0.0%

Recommendation Rationale

- **Strong Revenue Growth Driven by New Hospitals:** Max Healthcare reported revenue of Rs 2,281 Cr, exceeding expectations, supported by steady ARPOB and contributions from new hospitals despite a marginal occupancy drop.
- **Stable ARPOB and Improved Occupancy:** ARPOB stood at Rs 75,900, remaining flat YoY, while occupancy improved to 75%, up 200 bps YoY (like-to-like basis), driven by an 8% YoY growth in occupied bed days.
- **EBITDA Margins and Profitability:** EBITDA margins stood at 26.3%, down 136 bps YoY but improving sequentially by 65 bps. Adjusted PAT was Rs 390 Cr, reflecting a 15% YoY growth driven by operational efficiencies and cost control.

Sector Outlook: Positive

Company Outlook & Guidance: Max Healthcare's revenue mix remains well-balanced, with continued growth in institutional and international patient segments. The recent increase in institutional business share is expected to stabilize as higher-value payer segments expand. The short-term margin impact from new hospital ramp-ups should gradually ease as these facilities scale operations. Lucknow and Nagpur are expected to see further profitability expansion, supported by higher occupancy rates and the introduction of new clinical programs.

Current Valuation: EV/EBITDA 35x for FY27E EBITDA (Earlier Valuation: EV/EBITDA 35x)

Current TP: Rs 1,315/share (Earlier TP: Rs 1,315/share)

Recommendation: BUY

Financial Performance

Max Healthcare reported revenue of Rs 2,281 Cr, exceeding expectations, driven by a marginal drop in occupancies and steady ARPOB, aided by new hospitals. ARPOB stood at Rs 75,900, remaining flat YoY, while occupancy improved to 75%, up 200 bps YoY (like-to-like basis), supported by an 8% YoY growth in occupied bed days. The company's topline grew by 34% YoY, with strong contributions from both mature and developing hospitals. EBITDA margins stood at 26.3%, down slightly by 136 bps YoY but showing a sequential improvement of 65 bps. Adjusted PAT was Rs 390 Cr, reflecting a 15% YoY growth driven by operational efficiencies and cost control.

Developing hospitals showed signs of a steady ramp-up, with revenue growth of 22% YoY. Occupancies improved by 800/400 bps QoQ/YoY, leading to a 14.5% rise in occupied bed days, although ARPOB remained subdued due to a shift in the payer mix. Max Dwarka achieved EBITDA breakeven within six months, reporting Q3 revenue of Rs 59 Cr, while Max Lucknow and Max Nagpur delivered 58% and 50% YoY EBITDA growth, respectively.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	2,281	7.3%	35.1%	2,098	8.7%
EBITDA	601	10.1%	28.4%	551	9.1%
EBITDA Margin	26.3%	65	-136	26.3%	-
Net Profit	389	-9.7%	-7.1%	346	12.4%
EPS (Rs)	4.0	-9.7%	-7.1%	3.6	12.4%

Source: Company, Axis Securities Research

(CMP as of 31st January 2025)

CMP (Rs)	1,067
Upside /Downside (%)	23%
High/Low (Rs)	1,228/706
Market cap (Cr)	1,03,660
Avg. daily vol. (6m) Shrs.	20,09,035
No. of shares (Cr)	97.09

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	23.7	23.7	23.7
FIIs	57.0	57.3	56.9
MFs / UTI	12.2	11.6	11.7
Banks	0.0	0.0	0.0
Others	7.1	7.4	7.6

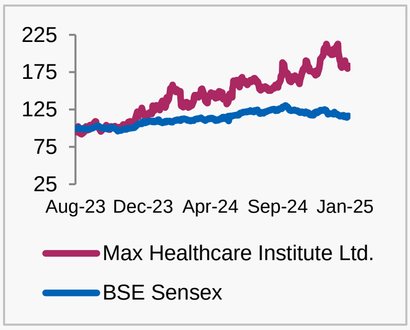
Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	6,815	8,868	10,951
EBITDA	1,806	2,368	2,946
Net Profit	1,279	1,528	1,914
EPS (Rs)	13	16	20
PER (x)	81	68	54
P/BV (x)	57	44	35
EV/EBITDA (x)	11	10	8
ROE (%)	14	14	15

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0.0%	0.0%
EBITDA	0.0%	0.0%
PAT	0.0%	0.0%

Relative Performance



Source: Ace Equity

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Financial Performance (Cont'd)

Mature hospitals continued their strong performance, delivering 16% YoY revenue growth, with occupancies rising by 200/400 bps QoQ/YoY and ARPOB improving by 7% YoY. Growth was supported by higher realisations from existing hospitals and an improved therapy mix. EBITDA margins for mature hospitals expanded by 70 bps YoY to 28.6%, benefiting from scale efficiencies.

Max Healthcare is accelerating its expansion, with 500 new beds planned in Thane under an asset-light model. Additionally, the company has increased capacity at its upcoming Mohali Zirakpur facility to 400 beds from 250 beds. Rs 362 Cr was deployed in Q3FY25 toward ongoing expansion and facility upgrades, with net debt standing at Rs 1,608 Cr, maintaining a comfortable Net Debt/EBITDA ratio of 0.65x.

Outlook

Max Healthcare's revenue mix remains well-balanced, with continued growth in institutional and international patient segments. The recent increase in the institutional business share is expected to stabilise as higher-value payer segments expand. The short-term margin impact from new hospital ramp-ups should gradually ease as these facilities scale operations. Lucknow and Nagpur are expected to witness further profitability expansion, driven by higher occupancy rates and the introduction of new clinical programs.

Valuation & Recommendation

As one of India's leading hospital chains, Max Healthcare is well-positioned to capitalise on rising healthcare demand, driven by an improving payer mix and strategic capacity expansion. Under an asset-light model, the Thane Hospital project is expected to generate strong ROCE with minimal upfront investment. Additionally, expanding existing facilities in Mohali, Gurgaon, and Saket should drive incremental revenue growth in the coming years. We maintain a BUY rating on MAXHEALTH with a target price of Rs 1,315/share, representing an upside potential of 26% from the CMP. This valuation is based on a 35x EV/EBITDA multiple for FY27E.

Key Risks to Our Estimates and TP

- The company's overall revenue growth could be affected by the economic slowdown.
- A high attrition rate of doctors might hinder the company's revenue growth.
- Unplanned Capex has the potential to weaken the company's balance sheet.

Change in Estimates

	New		Old		% Change	
(Rs Cr)	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	8,868	10,951	8,868	10,951	0.0%	0.0%
EBITDA	2,368	2,946	2,368	2,946	0.0%	0.0%
PAT	1,528	1,914	1,528	1,914	0.0%	0.0%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ(%)
Net Sales	**1,689**	**1,800**	**1,935**	**2,125**	**2,281**	**35.1%**	**7.3%**
Growth (YoY%)	**14.3%**	**16.1%**	**18.8%**	**22.7%**	**35.1%**		
Total Expenditure	1,221	1,322	1,455	1,579	1,680	**37.6%**	**6.4%**
Raw Material Consumed	650	707	773	843	883		
Purchase of stock in trade	0	0	0	0	0		
Stock Adjustment	0	0	0	0	0		
Gross Profits	**1,039**	**1,093**	**1,162**	**1,282**	**1,398**	**34.6%**	**9.0%**
% of sales	**38.5%**	**39.3%**	**39.9%**	**39.7%**	**38.7%**		
Gross margins (%)	**61.5%**	**60.7%**	**60.1%**	**60.3%**	**61.3%**	-23	96
Indirect	567	590	663	716	776	**36.9%**	**8.4%**
Less : ESOP	12	14	12	13	14		
Less : Fair Value Adjustments	-8	11	7	7	7		
% of sales	33.8%	34.2%	35.2%	34.6%	34.9%		
EBITDA	**468**	**478**	**480**	**546**	**601**	**28.4%**	**10.1%**
EBITDAM (%)	**27.7%**	**26.6%**	**24.8%**	**25.7%**	**26.3%**	-136	65
Interest	-14	-4	8	5	35		
Depreciation	70	84	90	97	106		
Exceptional items	0	0	0	0	74		
PBT	**412**	**398**	**382**	**444**	**386**	**-6.3%**	**-13.1%**
Tax	73	87	87	95	71		
Tax (%)	17.7%	21.9%	22.8%	21.4%	18.4%		
Reported PAT	**339**	**311**	**295**	**349**	**315**	**-7.1%**	**-9.7%**

Source: Company, Axis Securities Research

Revenue Breakup

Particulars (Rs Cr)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
ARPOB (Rs)	77,000	77,000	77,000	76,000	75,900
Occupancy %	76.8%	75.0%	75.0%	81.0%	75.0%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25E	FY26E	FY27E
Net sales	**6,815**	**8,868**	**10,951**	**13,067**
Growth	16%	30%	23%	19%
Total Expenditure	5,009	6,501	8,005	9,454
Raw Material Consumed	1,635	2,128	2,628	3,110
Gross Margins(%)	76.0%	76.0%	76.0%	76.2%
EBITDA	**1,806**	**2,368**	**2,946**	**3,613**
EBITDA(%)	**26.5%**	**26.7%**	**26.9%**	**27.7%**
Depreciation	284	374	446	524
% Of GB	6%	6%	6%	6%
Interest & Fin Chg.	(38)	109	130	121
EBIT	1,844	2,259	2,816	3,492
EBIT(%)	27.1%	25.5%	25.7%	26.7%
Other Income	35	35	35	35
Exceptional Items	-	-	-	-
Share of P/L of Associates	-	-	-	-
PBT	1,595	1,920	2,405	3,003
Tax Rate (%)	20%	20%	20%	20%
Tax	316	392	491	613
Reported PAT	**1,279**	**1,528**	**1,914**	**2,390**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25E	FY26E	FY27E
Share Capital	971	971	971	971
Reserves & Surplus	8324	9852	11766	14156
Shareholders Fund	**9295**	**10823**	**12737**	**15127**
- Long Term Borrowings	1177	1977	2377	2177
- Deferred Tax Liabilities(Net)	37	37	37	37
- Other Long Term Liabilities	87	87	87	87
- Long Term Provisions	461	486	600	716
Total Non Current Liabilities	**1762**	**2587**	**3101**	**3017**
- Short Term Borrowings	173	200	226	250
- Trade Payables	814	1020	1230	1432
Total Current Liabilities	**987**	**1220**	**1456**	**1682**
TOTAL EQUITY & LIABILITIES	**12044**	**14631**	**17294**	**19826**
Gross Block	4435	6235	7435	8735
Acc Dep	1106	1481	1927	2451
% of GB	25%	24%	26%	28%
Net Block	3329	4755	5509	6284
CWIP	445	445	445	445
Goodwill	4267	5092	5092	5092
Other intangible assets	1459	1459	1459	1459
Right of use asset	689	689	689	689
- Fixed Assets(incl. Capital Work in Progress)	**10189**	**12440**	**13194**	**13970**
Total Non Current Assets	**10189**	**12440**	**13194**	**13970**
- Current Investments	66	66	66	66
- Inventories	106	146	180	215
- Trade Receivables	600	802	990	1181
- Cash & Cash Equivalents	1286	677	2165	3495
- Other Current Assets	-203	500	700	900
Total Current Assets	**1855**	**2191**	**4101**	**5857**
TOTAL ASSETS	**12044**	**14631**	**17294**	**19826**

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25E	FY26E	FY27E
PBT	1,595	1,920	2,405	3,003
Add: depreciation	284	374	446	524
Add: Interest	-38	109	130	121
Cash flow from operations	1,841	2,403	2,981	3,648
Change in working capital	-18	713	99	108
Taxes	316	392	491	613
Miscellaneous expenses	0	0	0	0
Net cash from operations	1,543	1,298	2,392	2,927
Capital expenditure	-2,358	-2,625	-1,200	-1,300
Change in Investments	-64	0	0	0
Net cash from investing	-2,422	-2,625	-1,200	-1,300
Increase/Decrease in debt	529	827	426	-176
Dividends	-97	0	0	0
Proceedings from equity	0	0	0	0
Interest	38	-109	-130	-121
Others	130	0	0	0
Net cash from financing	600	718	296	-297
Net Inc./(Dec.) in Cash	-279	-609	1,487	1,330
Opening cash balance	1,565	1,286	677	2,165
Closing cash balance	1,286	677	2,165	3,495

Source: Company, Axis Securities Research

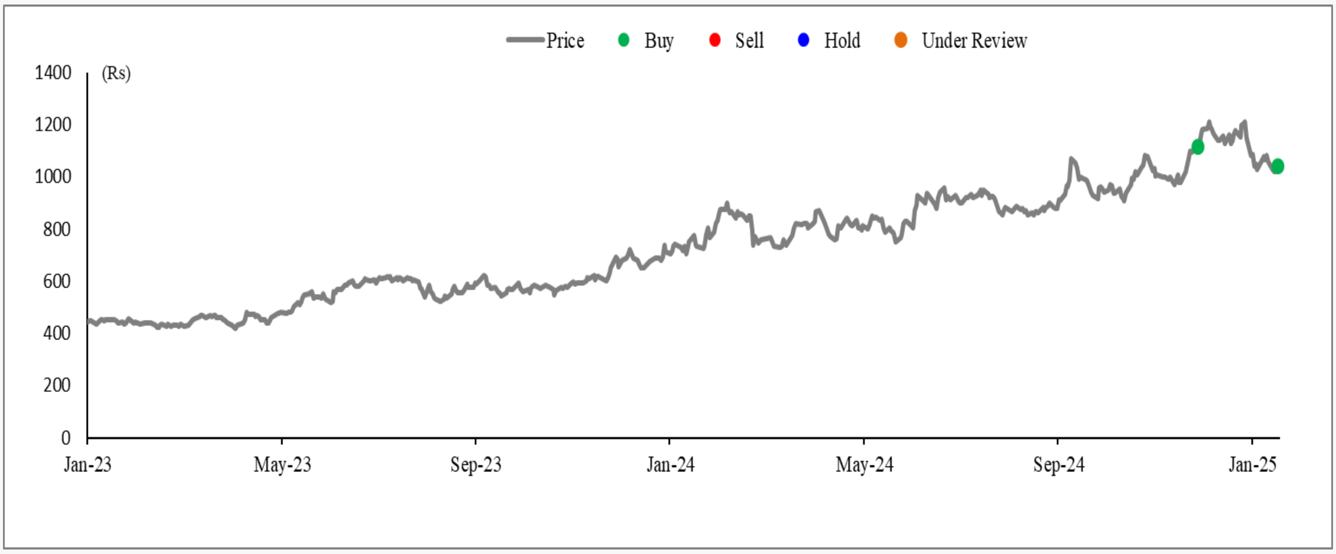
Ratio Analysis

(%)

Particulars (Rs Cr)	FY24	FY25E	FY26E	FY27E
Sales growth	21.6%	17.2%	18.4%	12.9%
OPM	25.3%	25.0%	24.3%	24.4%
Oper. profit growth	33.5%	20.1%	15.1%	13.4%
COGS / Net sales	23.2%	23.4%	23.8%	24.0%
Overheads/Net sales	16.0%	15.8%	15.7%	15.5%
Depreciation / G. block	-	-	-	-
Effective interest rate	-	-	-	-
Net kg.cap / Net sales	-2.8%	-3.6%	-3.8%	-3.9%
Net sales / Gr block (x)	1.2	1.1	1.2	1.2
RoCE	24.1	27.0	28.7	31.8
Debt/equity (x)	0.3	0.2	0.1	0.1
Effective tax rate	0.2	0.3	0.3	0.3
RoE	16.5	15.8	15.5	15.1
Payout ratio (Div/NP)	4.0	4.0	4.0	4.0
EPS (Rs.)	17.8	20.3	23.6	27.1
EPS Growth	47%	14%	16%	15%
CEPS (Rs.)	21.7	22.9	26.2	29.7
DPS (Rs.)	0.0	0.0	0.0	0.0

Source: Company, Axis Securities Research

Max Healthcare Institute Price Chart and Recommendation History



Date	Reco	TP	Research
11-Dec-24	BUY	1,315	Initiating Coverage
31-Jan-25	BUY	1,315	Result Update

Source: Axis Securities Research

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