

In Q1FY25, Medanta's performance was below expectations. Revenue reached INR 8,611 mn, showing a growth of 11.4% YoY and 6.5% QoQ. The ARPOB for matured hospitals grew by 3.2% YoY to INR 67,160, while for developing hospitals, it declined by 1.7% QoQ to INR 58,205. Occupancy for developed hospitals came in at 63%, compared to 60% last year, whereas for developing hospitals, it was 52% versus 54% last year. Consolidated EBITDA increased by 4.7% YoY and 3.9% QoQ to INR 1,863 mn. However, the EBITDA margin contracted by 137 bps YoY and 54 bps QoQ to 21.6%. Consolidated ARPOB stood at INR 64,035, flat YoY. PAT grew by 4.2% YoY but declined by 16.6% QoQ to INR 1,063 mn.

- Medanta enters Mumbai with a 500 bed facility:** The company has been awarded 2.2 acres of prime land in Oshiwara, Mumbai, by MHADA for INR 125.11 crores in a public auction. The company plans to build a super-specialty hospital on this site, with an expected capacity of over 500 beds. The project is estimated to cost around INR 12,000 mn and is anticipated to commence operations in 3-4 years. The company is currently in the process of acquiring the necessary approvals to complete the transaction, and the facility will be developed as a pure greenfield project.
- Medanta Expands in NCR:** Noida Hospital aims to enhance its dominance in the NCR region. The greenfield project, which features a 550-bed capacity, has completed 97% of its superstructure work and is scheduled to commence operations with 300 beds by Q4FY25/Q1FY26. Further, to bolster its presence in the NCR, the company has partnered with DLF to establish a joint venture for a 400-bed super-specialty hospital in South Delhi. Medanta will operate the hospital and have control over its operations, while DLF will act as a strategic investor. With this expansion, Medanta's bed count in the NCR region is expected to rise to approximately 2,400. This growth is anticipated to further elevate Medanta's ARPOB, given that a reputed hospital nearby operates with an ARPOB in the 65-70k range.
- Indore and Patna Facilities:** The company has experienced strong demand and growth at its Patna hospital, which recently added 18 dialysis beds. It plans to increase its capacity by adding 56 ICU beds and 18 chemo care beds in Q2FY25, with an additional 50 beds scheduled for H2FY25. Meanwhile, the Lucknow hospital is set to introduce 300 beds in collaboration with a real estate partner, covering all major super specialties.
- Outlook & Valuation:** We maintain a neutral stance on MEDANTA due to expected margin pressures over the next few years, driven by ongoing expansion plans and no tariff increases for the current fiscal year. We forecast Medanta's revenue and EBITDA will grow at CAGRs of 21.6% and 23.0%, respectively, for FY24-26E. The company is in a capex phase, planning to invest INR 1,000-1,200 crore over the next two years, which may impact margins during FY25-27E when the Noida facility begins operations. Based on these factors, we value the stock at 27x EV/EBITDA for FY26E, resulting in a target price of INR 1,246 per share and a BUY rating.

Quarterly performance

Result Snapshot (Rs.mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Net Sales	8,611	7,730	11.4	8,086	6.5
Material Consumed	2,089	1,814	15.2	1,937	7.8
Gross Profit	6,522	5,917	10.2	6,149	6.1
Employee Expenses	2,012	1,779	13.1	1,878	7.1
Operating Expenses	1,462	1,358	7.6	1,397	4.7
Retainers & Cons. fee	1,185	1,000	18.5	1,081	9.6
EBITDA	1,863	1,779	4.7	1,793	3.9
Depreciation	466	404	15.4	455	2.6
Other Income	219	215	2.2	274	(20.0)
EBIT	1,616	1,590	1.7	1,613	0.2
Interest Cost	180	180	0.1	182	(1.4)
PBT	1,437	1,410	1.9	1,431	0.4
Tax	374	390	(4.2)	157	137.5
PAT	1,063	1,020	4.2	1,273	(16.6)
EPS (Rs)	4.0	3.8	4.1	4.7	(16.6)

Margin Analysis	Q1FY25	Q1FY24	YoY (bps)	Q4FY24	QoQ (bps)
Gross margin %	75.7	76.5	(79)	76.0	(30)
Employee Exp. % of Sales	23.4	23.0	35	23.2	14
Other Op. Exp % of Sales	17.0	17.6	(59)	17.3	(29)
EBITDA Margin (%)	21.6	23.0	(137)	22.2	(54)
Tax Rate (%)	26.0	27.7	(166)	11.0	1,503
PAT Margin (%)	12.3	13.2	(85)	15.7	(341)

Source: Company, CEBPL

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Aug 12, 2024

CMP (Rs)	1,132
Target Price (Rs)	1,246
Potential Upside/Downside (%)	10.1

Company Info

BB Code	MEDANTA IN
ISIN	INE474Q01031
Face Value (Rs.)	2.0
52 Week High (Rs.)	1,514
52 Week Low (Rs.)	615
Mkt Cap (Rs bn.)	304
Mkt Cap (\$ bn.)	3.6
Shares o/s (Mn.)/F.F(%)	268.5/31
Adj. TTM EPS (Rs)	17.9
FY26E EPS (Rs)	27.5

Shareholding Pattern (%)

	Jun-24	Mar-24	Dec-23
Promoters	33.04	33.04	33.05
FII's	12.94	12.10	11.36
DII's	10.57	10.25	11.15
Public	43.44	44.60	44.45

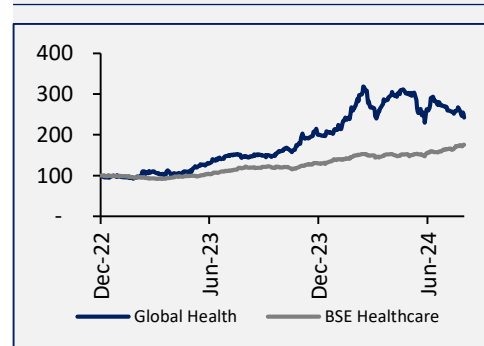
Relative Performance (%)

YTD	1Y	6M	3M
BSE HC	66.4	-10.8	-18.9
Global Health	44.2	17.6	19.4

Year end March (INR bn)

Particular	FY24	FY25E	FY26E
Revenue	32.8	37.7	48.4
Gross Profit	25.2	28.6	37.0
EBITDA	8.0	8.9	12.1
EBITDA (%)	24.4	23.6	24.9
EPS (INR)	17.8	19.1	27.5

Rebased Price Performance



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CEBPL Estimates vs Actual

Particulars (Rs.mn)	Actual	CEBPL Est.	Deviation (%)
Revenue	8,611	8,976	-4.1
EBIDTA	1,863	2,122	-12.2
EBIDTA Margin (%)	21.6	23.6	-200bps
Adj. PAT	1,063	1,143	-7.1

Source: Company, CEBPL

Changes in Estimates

Income Statement (INR Mn.)	FY25E			FY26E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	37,655	37,235	1.1	48,439	47,880	1.2
EBITDA	8,872	9,220	-3.8	12,084	12,184	-0.8
EBITDA margin(%)	23.6	24.8	(120)	24.9	25.4	(50)
APAT	5,129	5,072	1.1	7,391	7,195	2.7
EPS	19.1	18.9	1.1	27.5	26.8	2.7

Source: Company, CEBPL

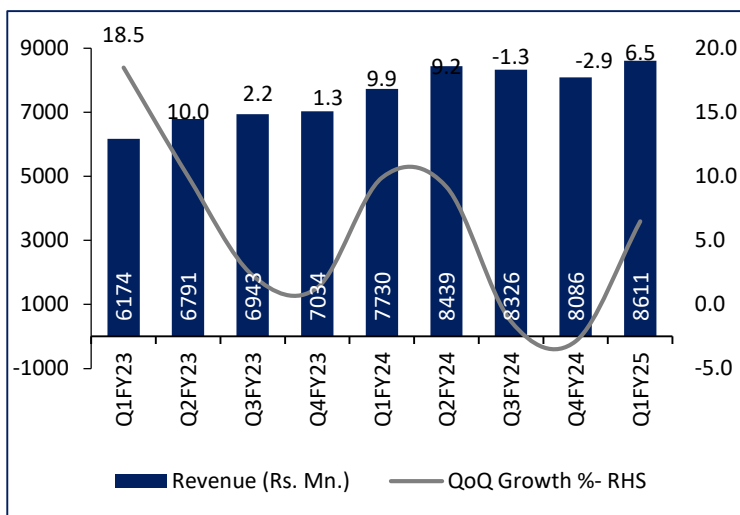
Management Call - Highlights

- Consolidated revenue growth in Q1FY25 is driven by higher patient volumes.
- EBITDA margins declined due to increased employee costs from annual increments and sluggish growth in the Lucknow unit.
- The company added 49 census beds in Gurugram in the mother and child department and 18 new dialysis beds at the Patna unit to meet the strong demand for nephrology services.
- Patna Hospital continues to show impressive growth with strong YoY increases; however, Lucknow's performance was relatively subdued with improvements in inpatient volumes and occupied bed days on a QoQ basis.
- More beds are being added in Patna due to strong demand, with lower realizations compared to Gurgaon and Lucknow.
- Matured hospitals in Gurugram, Indore, and Ranchi continue to deliver strong volume-led growth.
- The company has secured board approval to construct a service apartment guest house on the Medanta Medicity Gurugram campus with an investment of ~INR 2500 mn.
- This will cater to growing demand from international and out-of-town domestic patients and optimize the length of stay at the Gurugram hospital.
- Consolidated occupancy is affected as it includes increased bed capacity added during the quarter.
- Outpatient pharmacy revenue increased by 25.6% YoY.
- ARPOB declined by 1.7% YoY due to a change in the payer mix.
- The company has also applied for empanelment with CGHs and other government schemes.
- Payer mix remains healthy at 80% cash, expected to be the same for the Lucknow hospital. The company is willing to sign up for Ayushman Bharat schemes at Lucknow once capacity and volume sustainability are achieved.
- The Patna Hospital has an obligation of 25% of patients at CGHS rates.
- Continuous investments in advanced medical equipment and technology are planned to maintain high standards of care.

Upcoming Projects

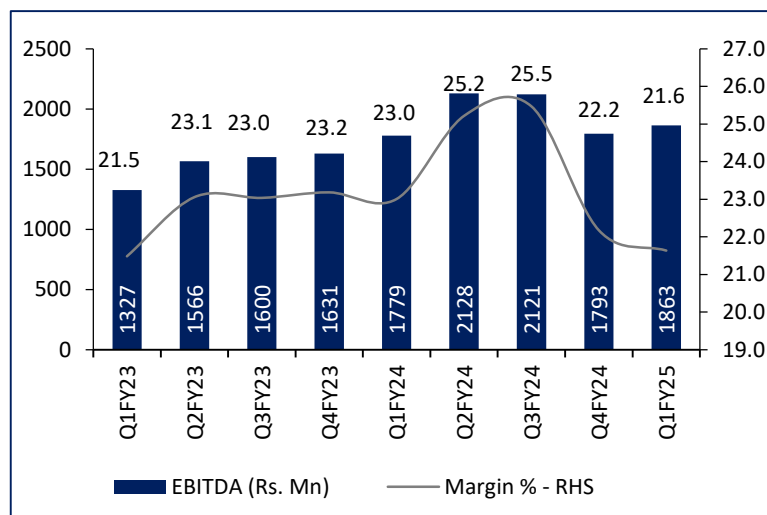
- **Noida Hospital (550 beds):** The company has completed 97% of the superstructure, and MEP work is in progress. Operations with 300 beds are expected to commence in Q4FY25 or Q1 FY26.
- **Indore (300 beds):** The company has announced a partnership with real estate partner.
- **South Delhi (400 beds):** This project, in partnership with DLF, is progressing well. A subsidiary has been established, and the project is expected to come online in 3-4 years once all approvals are received.
- **Mumbai (500+ beds):** acquired land in Oshiwara and will build a super specialty hospital.
- **Additional Facilities:** 47 ward beds to be added in FY25 in Lucknow; 56 ICU beds + 18 Chemo care beds to be added in Q2FY25 and more 50 beds in H2FY25 in Patna.

Revenue (Rs mn) & QoQ Growth (%)



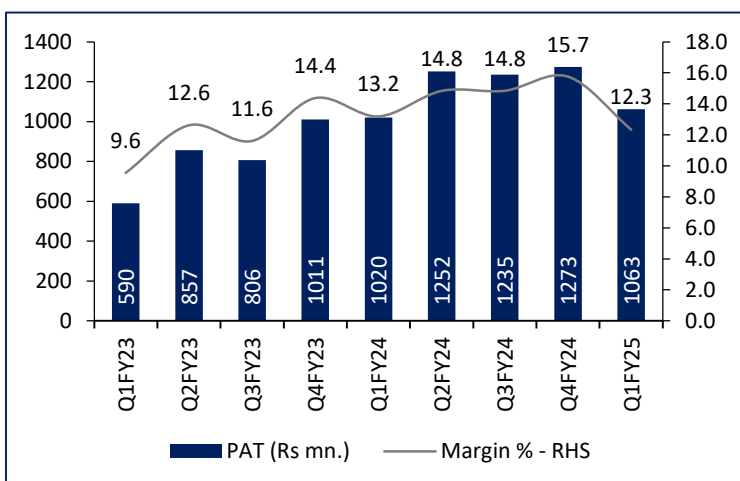
Source: Company, CEBPL

EBITDA (Rs mn) & Margin (%)



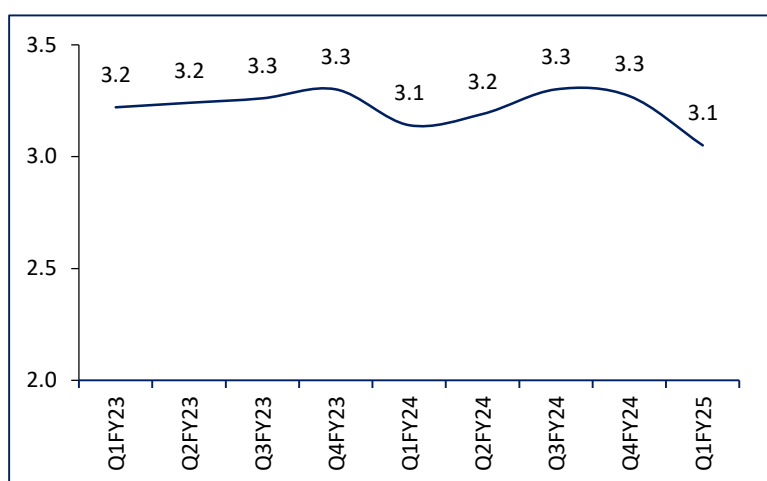
Source: Company, CEBPL

PAT (Rs mn) & Margin (%)



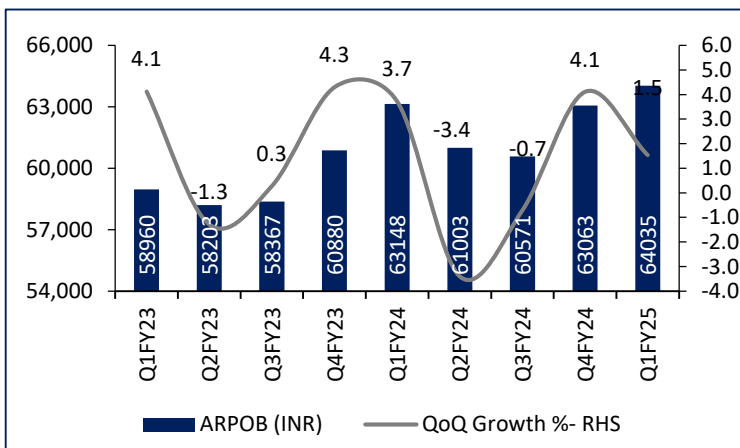
Source: Company, CEBPL

ALOS (Days)



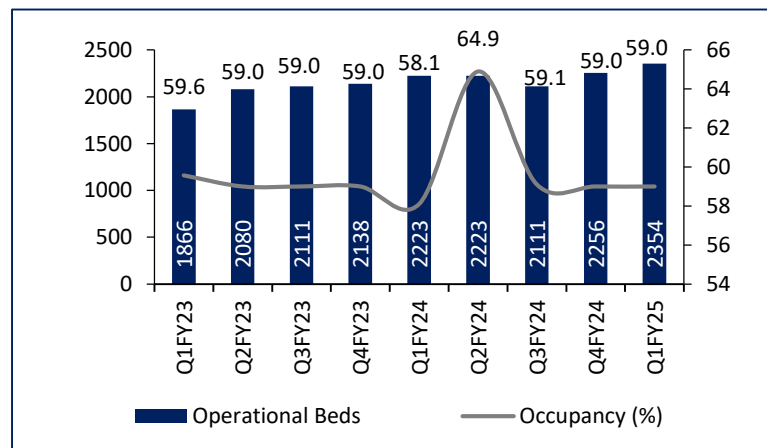
Source: Company, CEBPL

ARPOB (Rs.) & QoQ Growth (%)



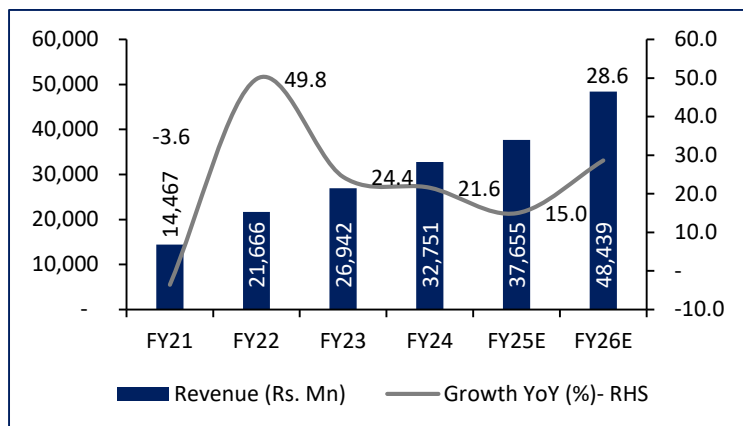
Source: Company, CEBPL

Operational Beds & Occupancy (%)



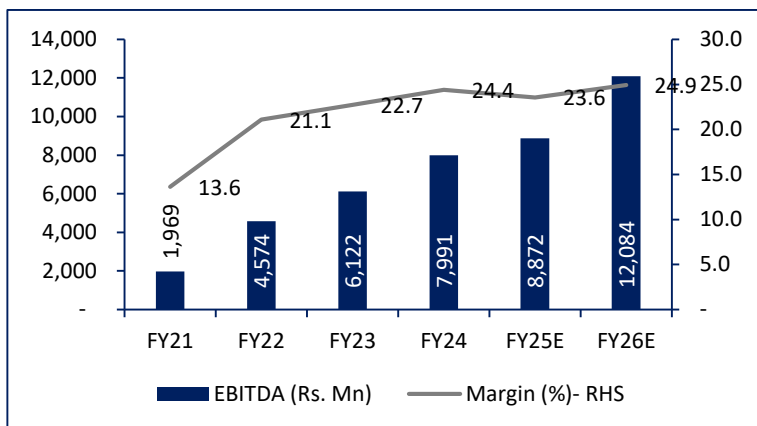
Source: Company, CEBPL

Revenue (Rs mn) % YoY growth (%)



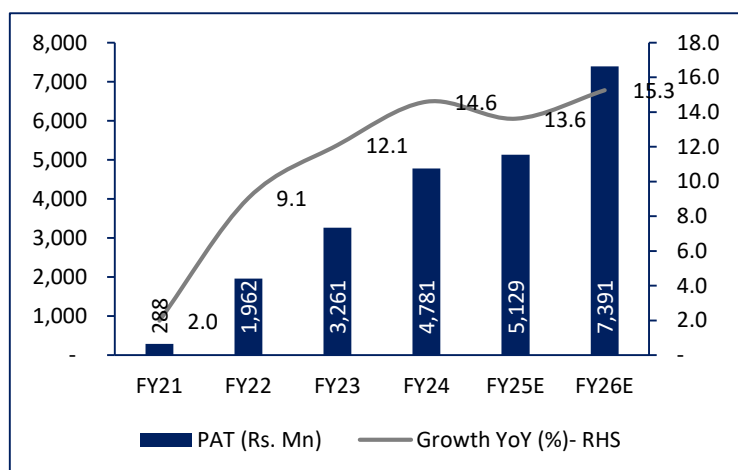
Source: Company, CEBPL

EBITDA (Rs mn) & Margin (%)



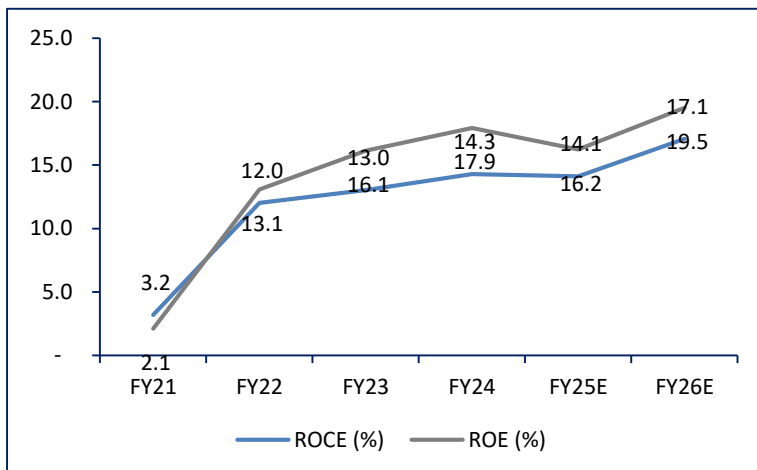
Source: Company, CEBPL

PAT (Rs mn) & Margin (%)



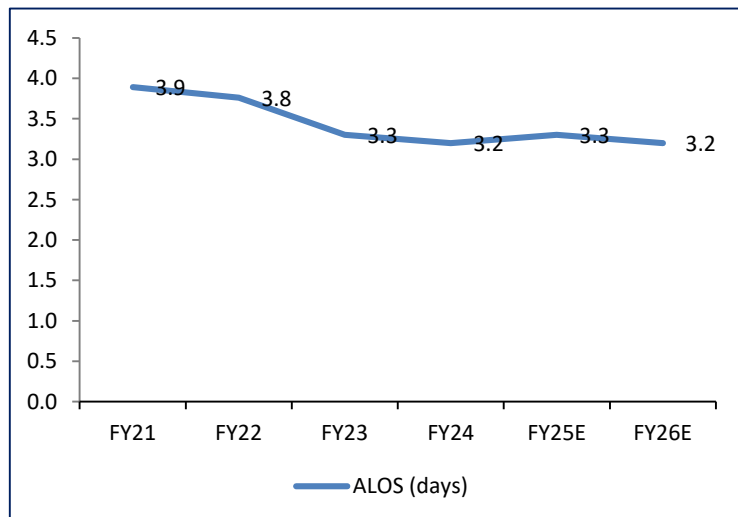
Source: Company, CEBPL

ROCE (%) & ROE (%)



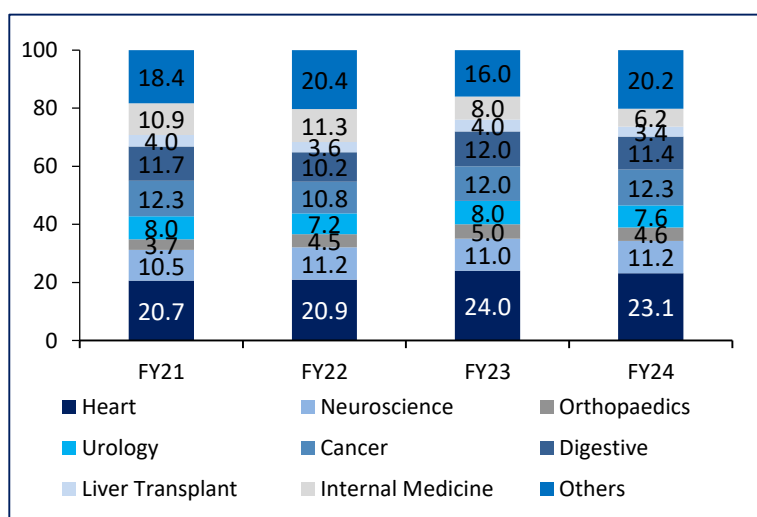
Source: Company, CEBPL

ALOS (Days)



Source: Company, CEBPL

Revenue by Therapeutic Area (%)



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Revenue	21,666	26,942	32,751	37,655	48,439
YoY growth (%)	49.8	24.4	21.6	15.0	28.6
Gross profit	16,336	20,690	25,158	28,641	37,030
EBITDA	4,574	6,122	7,991	8,872	12,084
YoY growth (%)	132.3	33.9	30.5	11.0	36.2
EBITDA Margin (%)	21.1	22.7	24.4	23.6	24.9
Depreciation	1,297	1,499	1,727	6,720	9,597
EBIT	3,277	4,623	6,263	6,720	9,597
Interest expense	863	779	739	782	742
Extraordinary item	-	-	-	-	-
RPAT	1,962	3,261	4,781	5,129	7,391
Adjusted PAT	1,962	3,261	4,781	5,129	7,391
YoY growth (%)	581.1	66.2	46.6	7.3	44.1
EPS (Rs)	7.7	12.2	17.8	19.1	27.5
NOPAT	2,291	3,355	4,775	5,040	7,197

Balance sheet (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Net worth	16,160	24,282	29,056	34,185	41,576
Deferred Tax	(278)	188	(372)	(372)	(372)
Borrowings	11,112	8,422	8,019	7,819	7,419
Trade Payables	1,343	1,947	1,868	2,270	2,920
Other non-current liabilities	6,373	4,737	1,266	1,331	1,546
Other current liabilities	1,507	1,583	2,591	2,812	3,513
Total Net Worth & liabilities	36,218	41,158	42,428	48,044	56,602
Net Block	17759	20501	22372	26220	29733
Capital WIP	4,393	3,270	3,863	3,863	3,863
Trade Receivables	1,802	1,942	2,153	2,579	3,318
Cash & Bank	5,118	12,781	11,753	12,298	15,721
Other non-current assets	5,832	1,356	1,105	1,506	1,938
Other current assets	1,315	1,309	1,181	1,578	2,030
Total Assets	36,218	41,158	42,427	48,044	56,602
Net Debt	5,994	(4,359)	(3,734)	(4,479)	(8,302)

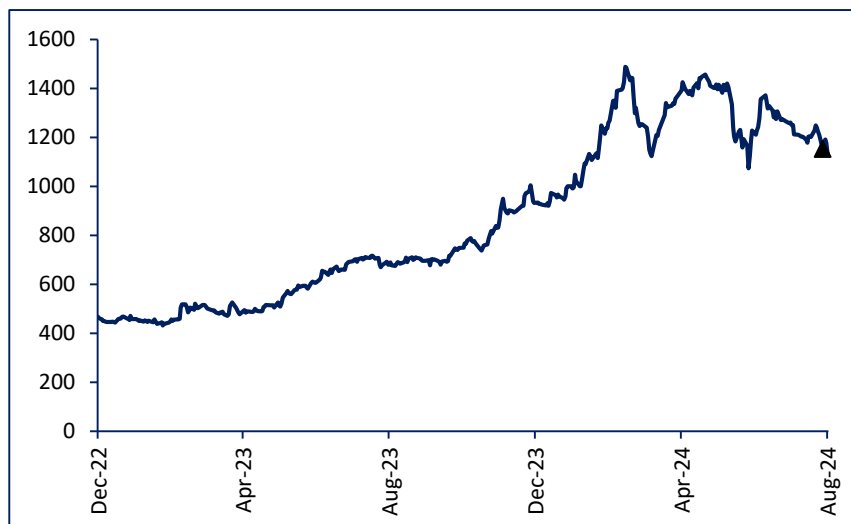
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
CFO	3,113	6,445	6,120	7,185	9,807
Capex	(2,731)	(2,352)	(2,786)	(6,000)	(6,000)
FCF	382	4,093	3,334	1,185	3,807
CFI	(4,209)	(3,423)	(4,408)	(6,000)	(6,000)
CFF	1,596	3,456	(5,139)	(982)	(1,142)

Ratio Analysis	FY22	FY23	FY24	FY25E	FY26E
Margin ratios (%)					
EBITDA Margin	21.1	22.7	24.4	23.6	24.9
PAT Margin	9.1	12.1	14.6	13.6	15.3
Performance Ratios (%)					
OCF/EBITDA (X)	0.7	1.1	0.8	0.8	0.8
OCF/IC	732.4	952.6	645.2	737.2	686.6
RoE	13.1	16.1	17.9	16.2	19.5
ROCE	12.0	14.1	13.9	14.1	17.1
Turnover Ratios (days)					
Inventory	9.0	8.2	7.5	8.0	8.0
Debtors	30.4	26.3	24.0	25.0	25.0
Payables	22.6	26.4	20.8	22.0	22.0
Cash Conversion Cycle	16.7	8.1	10.6	11.0	11.0
Financial Stability ratios (x)					
Net debt to Equity	0.4	-0.2	-0.3	-0.1	-0.2
Net debt to EBITDA	1.3	-0.7	-0.9	-0.5	-0.7
Interest Cover (x)	4.3	6.8	9.5	9.7	14.3
Valuation metrics					
Fully diluted shares (mn)	253.3	268.2	268.5	268.5	268.5
Price (Rs)	1,132.1	1,132.1	1,132.1	1,132.1	0.0
Market Cap (Rs. Mn)	2,86,704	3,03,624	3,03,975	3,03,975	0
PE (x)	146.1	93.1	63.6	59.3	41.1
EV (Rs.mn)	2,92,675	3,02,062	3,00,240	2,99,496	2,95,672
EV/EBITDA (x)	64.0	49.3	37.6	33.8	24.5
Book value (Rs/share)	319.1	452.7	541.1	636.6	774.2
Price to BV (x)	3.5	2.5	2.1	1.8	1.5
EV/OCF (x)	94.0	46.9	49.1	41.7	30.1

Source: Company, CEBPL

Historical recommendations and target price: Global Health



Global Health

1.	21-03-2023	OUTPERFORM,	Target Price Rs.589
2.	29-05-2022	ADD,	Target Price Rs. 664
3.	14-08-2022	ADD,	Target Price Rs. 769
4.	14-11-2022	NEUTRAL,	Target Price Rs. 890
4.	21-05-2024	REDUCE	Target Price Rs. 1,457
5.	12-08-2024	BUY,	Target Price Rs. 1,246

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OUTPERFORM	The security is expected to generate more than 25% returns over the next 12 months
BUY	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
REDUCE	The security expected to show downside or upside returns by 0% to 5% over the next 12 months
SELL	The security expected to show Below 0% next 12 months

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