

12 August 2024

Jupiter Lifeline Hospital

Good start to FY25 with all three units doing well; maintaining a Buy

Rating: **Buy**

Target Price (12-mth): Rs.1,450

Share Price: Rs 1,315

In line with the consensus and ARe, Jupiter Lifeline Hospital began FY25 well, with revenue/EBITDA up 18%/21% y/y though PAT fell 19% y/y. Highlights: a) ARPOB at Rs59,700, up 7% y/y, 9% q/q. b) Overall occupancy 64% vs. 57%/64% in Q1/Q4 FY24. c) Occupancy in Thane/Pune/Indore surged to 69%/63%/57% vs. 67%/53%/47% a year ago. d) Capacity expansions are on track (75 beds; Q1 FY26) for Indore, and for the Dombivli hospital. e) Net cash at end-Q1 was Rs2.5bn.

EBITDA up 20% y/y, in line with estimates. Consolidated revenue was Rs2.8bn, up 18% y/y (ARe Rs2.9bn). EBITDA came at Rs639m, up 20% y/y, 2.5% q/q (ARe Rs645m). Growth was largely driven by more patients and occupancies across all three hospitals. Further, PBT was Rs601m, up 71% y/y; PAT fell 19% y/y to Rs446m, given deferred tax charges of Rs304m in Q1 FY24. Adjusted for this, PAT would have risen 79% y/y.

ARPOB up 7% y/y, led by increased volumes and occupancy. ARPOB grew 7% y/y to Rs59,700/day, led by a) hiked prices in the self-payor category in Q4 FY24; b) more volumes/occupancies across all three hospitals. Overall occupancy rose 670bps y/y to 63.9% in Q1. Occupancies for Thane, Pune and Indore units were respectively 69%, 62.9% and 57% in Q1. IP volumes rose 13% y/y and OP volumes, 11% y/y.

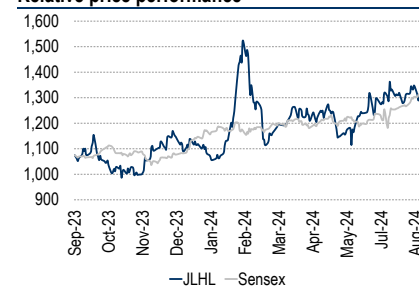
Outlook, Valuation. We expect a 20% revenue CAGR over FY24-26, aided by scaling-up of occupancies at the Pune and Indore hospitals. The Dombivli one is likely to go commercial by H2 FY26 and has factored in a Rs150m EBITDA loss for FY26. Further, the recent rate revision in insurance contracts for the Pune hospital and insurance tie-ups for the Indore one should boost ARPOB and occupancy. Overall, we expect 22%/19% EBITDA/PAT CAGRs over FY24-26, with a healthy, 21%, RoCE. We value the stock at 25x EV/EBITDA (24x earlier) on FY26e and recommend a Buy with a revised TP of Rs1,450 (Rs1,380 earlier). **Risks.** Delay in project execution, price control, decline in international business due to global challenges.

Key data	JLHL IN
52-week high / low	Rs1654 / 960
Sensex / Nifty	79649 / 24347
3-m average volume	\$1.2m
Market cap	Rs.86bn / \$1026.8m
Shares outstanding	66m

Shareholding pattern (%)	Dec'23	Mar'24	Jun'24
Promoters	40.91	40.9	40.9
- of which, Pledged	-	-	-
Free float	59.1	59.1	59.1
- Foreign institutions	4.0	4.2	6.1
- Domestic institutions	13.92	14.2	13.9
- Public	41.19	40.8	39.2

Estimates revision (%)	FY25e	FY26e
Sales	0.7	1.4
EBITDA	0.8	1.6
PAT	7.7	4.7

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY22	FY23	FY24	FY25e	FY26e
Sales (Rs m)	7,331	8,925	10,695	13,027	15,362
Net profit (Rs m)	515	773	1,766	2,145	2,483
EPS (Rs)	10.1	13.3	26.9	32.7	37.9
P/E (x)	130.3	99.0	48.8	40.2	34.7
EV / EBITDA (x)	58.7	44.5	34.9	27.9	23.5
P/BV (x)	29.4	23.6	7.4	6.2	5.3
RoE (%)	19.3	22.8	23.0	16.8	16.5
RoCE (%)	11.1	12.3	20.0	17.1	17.0
Dividend yield (%)	-	-	-	-	-
Net debt / equity (x)	1.3	0.9	-0.3	-0.3	-0.4

Source: Company, Anand Rathi Research

Himanshu Binani
Research Analyst

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Quick Glance – Financial and Valuations (consolidated)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Revenues	7,331	8,925	10,695	13,027	15,362
Growth (%)	50.8	21.7	19.8	21.8	17.9
Raw material	1,422	1,572	1,895	2,410	2,888
Employee & other expens.	4,375	5,340	6,419	7,686	9,064
EBITDA	1,534	2,013	2,382	2,931	3,410
EBITDA margins (%)	20.9	22.6	22.3	22.5	22.2
- Depreciation	362	386	424	461	524
Other income	40	104	260	299	344
Interest expense	439	423	263	50	100
PBT	775	1,331	1,954	2,719	3,130
Effective tax rates (%)	-	-	-	-	-
+ Associates / (Minorities)	-	-	-	-	-
Adj. income	513	751	1,766	2,145	2,483
Extraord. items (loss)/profit	2	22	-	-	-
Reported PAT	515	773	1,766	2,145	2,483
WANS	51	57	66	66	66
FDEPS (Rs)	10.1	13.3	26.9	32.7	37.9

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Share capital	509	565	656	656	656
Net worth	2,936	3,657	11,690	13,835	16,318
Debt	4,952	4,686	-	-	-
Minority interest	-51	-	-3	-3	-3
Deferred tax liability / (asset)	325	370	37	37	37
Capital employed	8,162	8,713	11,725	13,870	16,352
Net tangible assets	6,831	7,207	7,155	8,195	9,247
CWIP (tang. and intang.)	275	299	761	761	761
Investments (strategic)	29	16	170	2	2
Investments (financial)	-	-	-	-	-
Current assets (excl. C&CE)	919	1,007	1,714	1,940	2,127
Cash	1,034	1,345	3,013	4,564	6,098
Current liabilities	925	1,159	1,088	1,592	1,882
Working capital	-6	-152	626	347	244
Capital deployed	8,162	8,713	11,725	13,870	16,352

Fig 3 – Cashflow statement (Rs m)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
PBT	750	1,287	1,954	2,786	3,224
+ Non-cash items	801	808	687	511	624
Oper. profit before WC changes	1,551	2,095	2,641	3,296	3,848
- Incr./ (decr.) in WC	86	542	809	-279	-103
Others incl. taxes	119	354	515	641	742
Operating cash-flow	1,346	1,199	1,317	2,934	3,209
- Capex (tangible + intangible)	910	767	852	1,501	1,576
Free cash-flow	437	431	465	1,433	1,634
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	439	474	320	50	100
+ Equity raised	118	340	6,326	-	-
+ Debt raised	877	309	-4,725	-	-
- Fin. investments	-57	269	-93	-467	-343
- Misc. items (CFI and CFF)	234	-	-	-	-
Net cash-flow	816	338	1,840	1,851	1,877

Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	130.3	99.0	48.8	40.2	34.7
EV / EBITDA (x)	58.7	44.5	34.9	27.9	23.5
EV / Sales (x)	12.3	10.0	7.8	6.3	5.2
P/B (x)	29.4	23.6	7.4	6.2	5.3
RoE (%)	19.3	22.8	23.0	16.8	16.5
RoCE (%) - after tax	11.1	12.3	20.0	17.1	17.0
RoIC (%) - after tax	19.2	23.0	23.3	16.9	16.5
DPS (Rs)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Dividend payout (%)	-	-	-	-	-
Net debt / equity (x)	1.3	0.9	-0.3	-0.3	-0.4
Receivables (days)	12	15	18	18	18
Inventory (days)	36	40	39	39	41
Payables (days)	154	153	128	127	147
CFO : PAT (%)	262	160	75	137	129

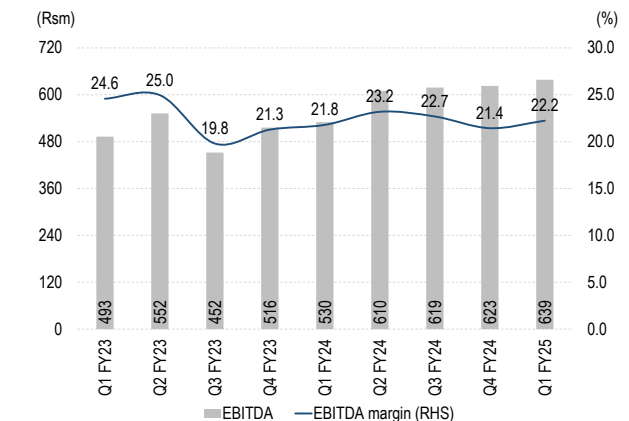
Source: Company, Anand Rathi Research

Fig 5 – Price movement

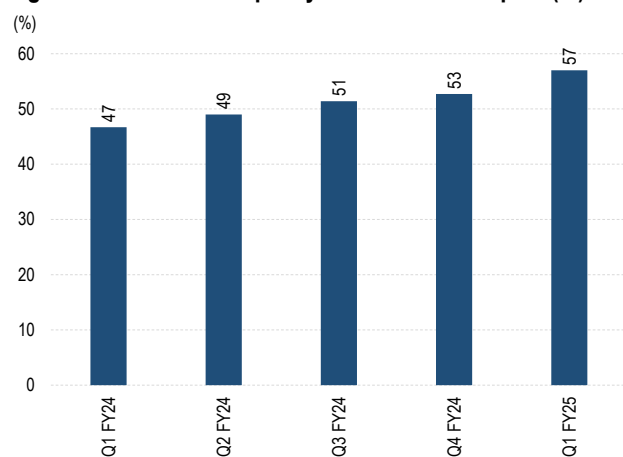


Source: Bloomberg

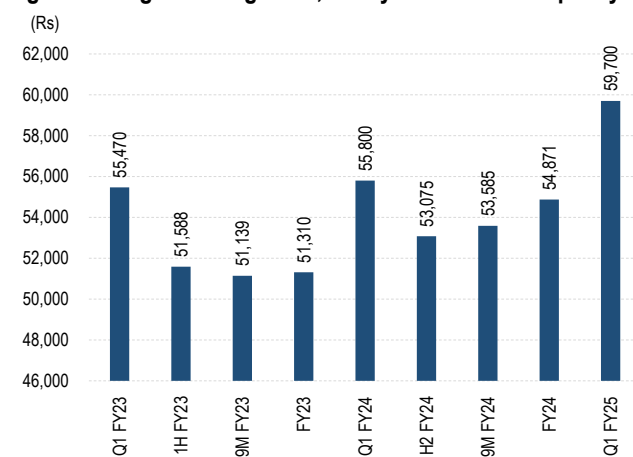
Fig 6 – Strong EBITDA growth, led by higher volumes



Source: Company

Fig 7 – Increase in occupancy at the Indore hospital (%)

Source: Company, Anand Rathi Research

Fig 8 – Strong ARPOB growth, led by increased occupancy

Source: Company, Anand Rathi Research

Fig 9 – Quarterly trend

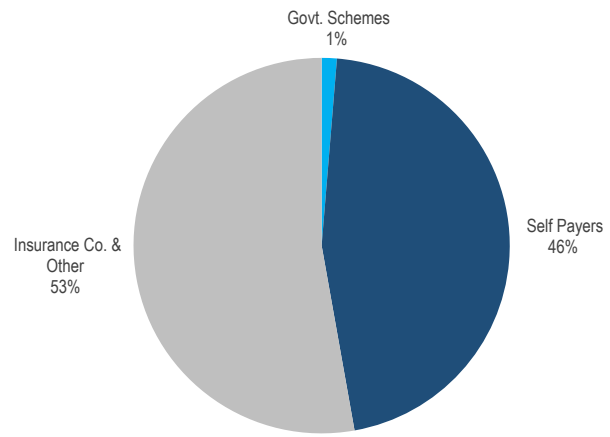
(Rs m)	Q1 FY25	Q1 FY24	Y/Y (%)	Q4 FY24	Q/Q (%)	FY24	FY23	Y/Y (%)
Revenues	2,871	2,432	18.1	2,905	(1.2)	10,695	8,925	19.8
Raw material	502	424	18.4	528	(4.9)	1,895	1,572	20.5
Staff costs	513	451	13.7	515	(0.4)	1,899	1,556	22.0
Others	1,731	1,478	17.1	1,754	(1.4)	4,519	3,784	19.4
Total expenditure	2,233	1,902	17.4	2,282	(2.2)	8,313	6,912	20.3
EBITDA	639	530	20.5	623	2.5	2,382	2,013	18.3
Depreciation	110	107	2.6	104	5.9	424	386	9.9
EBIT	529	423	25.0	519	1.9	1,958	1,628	20.3
Less: Interest expense	11	122	(91.1)	9	16.4	263	423	(37.7)
Add: Other income	84	50	67.1	90	(6.5)	260	104	149.3
Profit before tax	601	351	71.2	599	0.4	1,954	1,309	49.3
Less: Provision for tax	155	-202	(176.8)	169	(8.2)	188	558	(66.3)
Adj. profit	446	554	(19.4)	430	3.8	1,766	751	135.1
Add: Exceptional items	0	-14	NA	23	NA	-	22.04	
Reported profit	446	540	(17.4)	453	(1.5)	1766.12	773	128.4
No. of diluted shares outstanding (m)	65.6	57		66		66	57	
Adjusted diluted EPS (Rs)	6.8	9.8	(30.5)	6.6	3.8	26.9	13.3	102.7

As % of net revenues

Raw material	17.5	17.4		18.2		17.7	17.6
Staff expenses	17.9	18.5		17.7		17.8	17.4
Other expenses	60.3	60.8		60.4		42.3	42.4
EBITDA	22.2	21.8		21.4		22.3	22.6
Net profit	15.5	22.8		14.8		16.5	8.4

Source: Company

Fig 11 – Payor mix, Q1 FY25



Valuation

We expect a 20% revenue CAGR over FY24-26, aided by the scaling up of occupancies at the Pune and Indore hospitals. The company's Dombivli one is likely to be commercialized by H2 FY26 and has factored in a Rs150m EBITDA loss for FY26. Further, the recent rate revision in insurance contracts for the Pune hospital and insurance tie-ups for the Indore one should boost ARPOB and occupancy. Overall, we expect 22%/19% EBITDA/ PAT CAGRs over FY24-26 with a healthy RoCE of 21%.

We value the stock at 25x EV/EBITDA (24x earlier) on FY26e and recommend a Buy with a revised TP of Rs1,450 (Rs1,380 earlier).

Fig 12 – Change in estimates

(Rsm)	FY25E			FY26E		
	Old	New	% Change	Old	New	% Change
Revenue	12,935	13,027	0.7	15,156	15,362	1.4
EBITDA	2,974	2,997	0.8	3,450	3,504	1.6
EBITDA Margin (%)	23.0%	23.0%		22.8%	22.8%	
PAT	1,991	2,145	7.7	2,371	2,483	4.7
EPS (Rs)	30.4	32.7	7.7	36.2	37.9	4.7

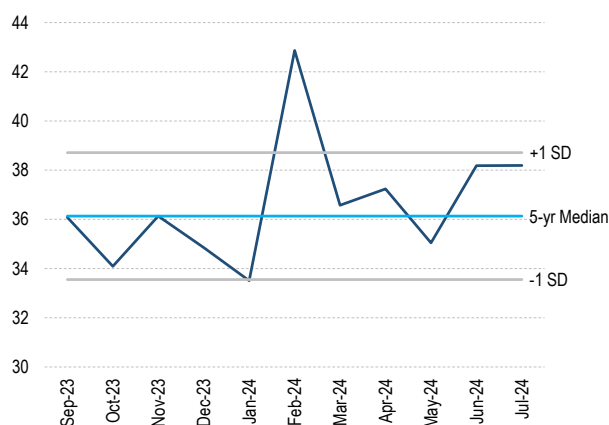
Source: Anand Rathi Research

Fig 13 – Valuation

(Rs m)	FY26e
EBITDA	3,504
Target multiple (x)	25
EV	89,010
Less net debt	-6,098
Derived market cap	95,108
No. of shares (m)	66
Target price (Rs)	1,450
CMP (Rs)	1,315
Upside (%)	10

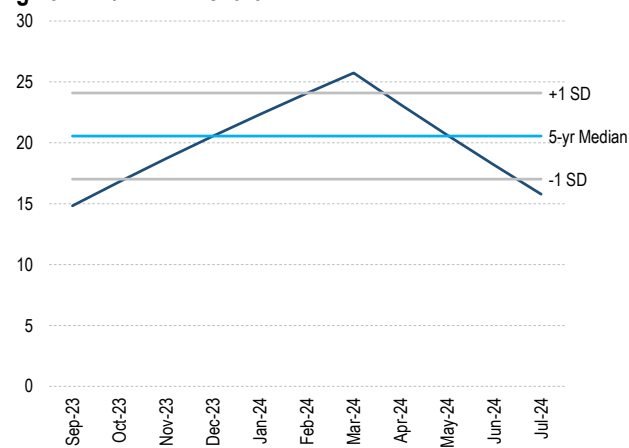
Source: Bloomberg, Anand Rathi Research

Fig 14 – PE chart



Source: Bloomberg, Anand Rathi Research

Fig 15 – EV/EBITDA chart



Source: Bloomberg, Anand Rathi Research

Risks

- Delay in project execution; challenges in expanding to adjacent territories.

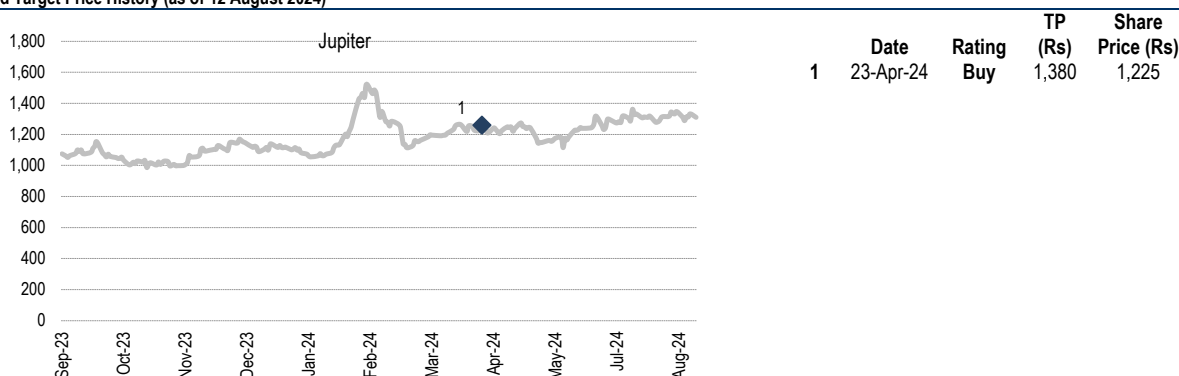
- A slower rate of beds added and inability to retain talent.
- Regulatory risks: price controls, margin caps, mandatory bed allocations, etc.

Appendix

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