

GPT Healthcare | BUY

Occupancy to improve; guidance unchanged

GPT Healthcare (GPTHEALT) missed estimates for 1QFY25 largely due to a dip in the occupancy across key hospitals. The management attributed this fall in occupancy to intended reduction in ALOS and pronounced impact of elections in the region. ALOS reduced to 3.7 (from 4 in 1QFY24). IP volumes remained steady and grew flat-to-low double digits across facilities. ARPOBs were up +8% YoY driven by improvement in case mix and price increase. The management maintained their FY25 guidance of 12-14% growth and alluded to improving growth trends. We factor in Revenue/EBITDA/PAT CAGR of 16%/16.5%/21% respectively, over FY24-27 with addition of new hospitals. Despite its promising growth prospects, GPTHEALT trades at a substantial discount to peers – ~11.5x FY26 EV/EBITDA vs. industry average of 21x (Yatharth is trading at ~14x). This valuation discrepancy presents an attractive risk-reward for investors, with potential for valuations to converge with peers as the key investment thesis plays out. We value GPTHEALT at 16x Sep'26 EV/EBITDA to arrive at a TP of INR 255. Maintain BUY

- Occupancy to pick up:** During the quarter the company witnessed reduction in occupancy across hospitals. With the Kolkata based hospitals seeing a sharper dip of 400bps/600bps YoY at Salt Lake and Dun Dum respectively. In comparison, Howrah and Agartala saw a smaller dip of 300bps/ 100bps respectively. ARPOBs increased across facilities (except Agartala flat YoY) driven by improvement in case mix and price increase. The management indicated there has been a pick-up in Jul'24 occupancy and the company is on track to meet its previous guidance of 12-14% topline growth in FY25. The company has limited exposure to international patient, since it's a neighbourhood focussed hospital chain, however management indicated that impact of crisis in Bangladesh could be felt in the short term at the Agartala facility which receives 5-7% of patients from the country.
- To double beds by FY27/28:** The company aspires to reach ~1,100 beds in 3-4 years (vs. 561 beds at present). GPTHEALT is setting up new hospitals via the asset-light model in under-penetrated adjacent geographies, namely, Raipur (FY25-end) and Ranchi (2HFY27). At existing facilities, it only has 100-bed brownfield potential in Agartala, which seems unlikely over the next 1-2 years. Most of the mature hospitals are operating at high occupancies and double digit growth in base business will be led by Howrah and Agartala. The company is will focus on expanding in the eastern part of the country and is open to both organic and inorganic expansion strategies.
- Key Financials:** Revenue/EBITDA/PAT grew 2%/-6%/flat YoY to INR 978mn/180mn/100mn and was -4%/-13%/-15% vs. our estimates. EBITDA margins contracted 140bps YoY due to higher staff cost and other expenses. Rise in staff cost was due to annual increments while other expenses were higher on account of increase in payment related to robotic surgeries. Occupancy declined 230bps to 53.6% (vs. 55.9% YoY). ARPOBs grew 8% YoY to INR 36.1k. ALOS declined to 3.7 vs. 4 YoY (positive). Payor mix continues to remain strong with ~96% coming from cash and TPA. As of 30th Jun'24, the company has a debt of INR 80mn.



Jainil Shah
jainil.shah@jmfl.com | Tel: (91 22) 66303155

Amey Chalke
amey.chalke@jmfl.com | Tel: (91 22) 66303056

Raghav Vedanarayanan
raghav.vedanarayanan@jmfl.com | Tel: (91 22) 62241851

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	255
Upside/(Downside)	46.0%
Previous Price Target	245
Change	4.1%

Key Data – GPTHEALT IN

Current Market Price	INR175
Market cap (bn)	INR14.3/US\$0.2
Free Float	32%
Shares in issue (mn)	82.1
Diluted share (mn)	82.1
3-mon avg daily val (mn)	INR52.4/US\$0.6
52-week range	220/129
Sensex/Nifty	79,106/24,144
INR/US\$	84.0

Price Performance

%	1M	6M	12M
Absolute	5.6	0.0	0.0
Relative*	7.7	0.0	0.0

* To the BSE Sensex

Financial Summary

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	3,610	4,002	4,504	5,406	6,196
Sales Growth (%)	7.0	10.9	12.5	20.0	14.6
EBITDA	743	878	1,009	1,216	1,388
EBITDA Margin (%)	20.6	21.9	22.4	22.5	22.4
Adjusted Net Profit	390	478	611	747	837
Diluted EPS (INR)	4.9	5.8	7.4	9.1	10.2
Diluted EPS Growth (%)	-6.4	19.2	27.8	22.4	12.1
ROIC (%)	18.3	23.4	25.4	28.5	30.8
ROE (%)	24.1	24.9	25.5	26.0	24.4
P/E (x)	35.8	30.1	23.5	19.2	17.1
P/B (x)	8.5	6.6	5.5	4.6	3.9
EV/EBITDA (x)	20.2	16.5	14.8	11.6	10.2
Dividend Yield (%)	2.3	0.9	1.3	1.6	1.7

Source: Company data, JM Financial. Note: Valuations as of 14/Aug/2024

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Exhibit 1. 1QFY25 review

GPT Healthcare - P&L (INR mn)	1Q24A	1Q25A	% YoY	1Q25E	% Delta vs. JMFe	4Q24A	% QoQ
Total Revenue	962	978	2%	1,020	-4%	994	-2%
COGS	201	183	-9%	211	-13%	208	-12%
Gross Profit	761	795	4%	809	-2%	786	1%
Gross Profit %	79.1%	81.2%	213 bps	79.3%	195 bps	79.1%	216 bps
Staff Cost	172	187	9%	184	2%	170	10%
Other expenses	398	428	7%	418	2%	385	11%
EBITDA	191	180	-6%	207	-13%	232	-22%
EBITDA margin (%)	19.8%	18.4%	-144 bps	20.3%	-192 bps	23.3%	-493 bps
Other Income	14	22	56%	15	49%	16	40%
Finance Cost	20	9	-57%	12		16	-46%
Depreciation	43	47	8%	50		48	-2%
PBT	142	147	4%	160	-8%	184	-20%
Exceptional Items	0	0		0		0	
Tax	42	47	13%	43		56	-16%
Tax Rate (%)	29.5%	32.1%		27.0%		30.4%	
Minority Interest							
PAT (Reported)	100	100	0%	117	-15%	128	-22%
PAT margin (%)	10.4%	10.2%		11.5%		12.9%	
Diluted EPS (INR)	1.2	1.2	-3%	1.4	-15%	1.6	-22%
GPT Healthcare - Cost margins							
	1Q24A	1Q25A	% YoY	1Q25E	% Delta vs. JMFe	4Q24A	% QoQ
COGS/sales	20.9%	18.8%	-213 bps	20.7%	-195 bps	22.7%	-400 bps
Staff cost/sales	17.9%	19.1%	122 bps	18.0%	114 bps	23.0%	-385 bps
Other expenditure/sales	41.4%	43.7%	235 bps	41.0%	274 bps	30.8%	1292 bps

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	3,610	4,002	4,504	5,406	6,196	
Sales Growth	7.0%	10.9%	12.5%	20.0%	14.6%	
Other Operating Income	0	0	0	0	0	
Total Revenue	3,610	4,002	4,504	5,406	6,196	
Cost of Goods Sold/Op. Exp	759	830	932	1,162	1,326	
Personnel Cost	620	689	770	892	998	
Other Expenses	1,488	1,605	1,793	2,136	2,485	
EBITDA	743	878	1,009	1,216	1,388	
EBITDA Margin	20.6%	21.9%	22.4%	22.5%	22.4%	
EBITDA Growth	0.7%	18.2%	14.9%	20.6%	14.1%	
Depn. & Amort.	149	180	205	226	271	
EBIT	594	699	803	990	1,117	
Other Income	57	53	58	64	70	
Finance Cost	92	71	37	45	68	
PBT before Excep. & Forex	560	680	825	1,010	1,120	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	560	680	825	1,010	1,120	
Taxes	170	203	215	262	282	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	390	478	611	747	837	
Adjusted Net Profit	390	478	611	747	837	
Net Margin	10.8%	11.9%	13.6%	13.8%	13.5%	
Diluted Share Cap. (mn)	79.9	82.1	82.1	82.1	82.1	
Diluted EPS (INR)	4.9	5.8	7.4	9.1	10.2	
Diluted EPS Growth	-6.4%	19.2%	27.8%	22.4%	12.1%	
Total Dividend + Tax	320	123	183	224	251	
Dividend Per Share (INR)	4.0	1.5	2.2	2.7	3.1	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	1,654	2,185	2,612	3,135	3,721	
Share Capital	799	821	821	821	821	
Reserves & Surplus	855	1,364	1,792	2,315	2,901	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	824	305	781	881	1,121	
Def. Tax Liab. / Assets (-)	-22	-53	-53	-53	-53	
Total - Equity & Liab.	2,456	2,437	3,341	3,964	4,790	
Net Fixed Assets	2,305	2,305	2,999	2,873	3,502	
Gross Fixed Assets	2,893	3,031	3,945	3,945	4,995	
Intangible Assets	4	8	8	8	8	
Less: Depn. & Amort.	618	799	1,004	1,230	1,502	
Capital WIP	26	64	50	150	0	
Investments	226	476	676	676	676	
Current Assets	716	622	602	1,487	1,816	
Inventories	89	82	111	133	170	
Sundry Debtors	207	243	234	281	323	
Cash & Bank Balances	66	17	26	891	1,192	
Loans & Advances	233	112	62	12	-38	
Other Current Assets	120	169	169	169	169	
Current Liab. & Prov.	790	965	937	1,072	1,203	
Current Liabilities	489	563	633	768	899	
Provisions & Others	301	402	304	304	304	
Net Current Assets	-75	-343	-334	415	612	
Total - Assets	2,456	2,437	3,341	3,964	4,790	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	560	680	825	1,010	1,120	
Depn. & Amort.	149	180	205	226	271	
Net Interest Exp. / Inc. (-)	53	35	-22	-19	-3	
Inc (-) / Dec in WCap.	20	-62	13	38	33	
Others	-16	5	0	0	0	
Taxes Paid	-103	-150	-129	-184	-212	
Operating Cash Flow	664	688	893	1,070	1,209	
Capex	-84	-192	-600	-100	-600	
Free Cash Flow	580	496	293	970	609	
Inc (-) / Dec in Investments	108	-99	-200	0	0	
Others	27	39	58	64	70	
Investing Cash Flow	52	-252	-742	-36	-530	
Inc / Dec (-) in Capital	0	375	0	0	0	
Dividend + Tax thereon	-320	-240	-183	-224	-251	
Inc / Dec (-) in Loans	-314	-526	78	150	0	
Others	-98	-94	-37	-95	-128	
Financing Cash Flow	-732	-485	-142	-169	-379	
Inc / Dec (-) in Cash	-17	-49	9	865	301	
Opening Cash Balance	83	66	17	26	891	
Closing Cash Balance	66	17	26	891	1,192	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin	10.8%	11.9%	13.6%	13.8%	13.5%	
Asset Turnover (x)	1.3	1.5	1.4	1.3	1.3	
Leverage Factor (x)	1.7	1.4	1.4	1.4	1.4	
RoE	24.1%	24.9%	25.5%	26.0%	24.4%	

Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)	20.7	26.6	31.8	38.2	45.4	
ROIC	18.3%	23.4%	25.4%	28.5%	30.8%	
ROE	24.1%	24.9%	25.5%	26.0%	24.4%	
Net Debt/Equity (x)	0.4	0.0	0.2	-0.1	-0.1	
P/E (x)	35.8	30.1	23.5	19.2	17.1	
P/B (x)	8.5	6.6	5.5	4.6	3.9	
EV/EBITDA (x)	20.2	16.5	14.8	11.6	10.2	
EV/Sales (x)	4.2	3.6	3.3	2.6	2.3	
Debtor days	21	22	19	19	19	
Inventory days	9	7	9	9	10	
Creditor days	43	44	37	36	36	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-Jul-24	Buy	245	

Recommendation History

APPENDIX I

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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