

Elevating the Opportunity in Underserved Micro Markets

Est. Vs. Actual for Q2FY25: Revenue: **BEAT**; EBITDA Margin: **BEAT**; PAT: **BEAT**

Changes in Estimates post Q2FY25.

FY25E/FY26E: Revenue: 0.9%/6.9%; EBITDA Abs: -2.3%/-6.9%; PAT:-10.2%/-16.9%

Recommendation Rationale

- **Medanta reported revenue of Rs 957 Cr, exceeding our expectations**, driven by a flat ARPOB and a slight increase in occupancies. ARPOB increased to Rs 62,140, up 1.9% YoY, while occupancies improved by 623 bps YoY.
- **EBITDA margins were 24.5%, down 140 bps YoY but showed a sequential improvement** of 231 bps. Reported PAT stood at Rs 131 Cr, marking a 4.4% YoY increase due to improved operating profitability and lower depreciation costs.

Sector Outlook: Positive

Company Outlook & Guidance: The shift in the IPD revenue mix from Cash to TPA appears to be temporary, and it is anticipated that the mix will return to its previous state soon.

Medanta has acquired land in Mumbai for the construction of a 500+ bed hospital, with the total cost of acquisition and construction amounting to Rs 1,200 Cr. The new hospital is expected to generate revenue in the range of Rs 700 to Rs 800 Cr and achieve a potential profit of around Rs 200 Cr.

Current Valuation: EV/EBITDA 25x for FY27E EBITDA (Earlier Valuation: EV/EBITDA 26)

Current TP: Rs 1,200/share (Earlier TP: Rs 1,245/share)

Recommendation: BUY

Financial Performance

Medanta reported revenue of Rs 957 Cr, exceeding our expectations, driven by a flat ARPOB and a slight increase in occupancies. ARPOB increased to Rs 62,140, up 1.9% YoY, while occupancies improved by 623 bps YoY. The higher occupancy rates were primarily due to an 8% YoY growth in IPD volumes. The company's topline grew by 13.3% YoY, with realisation rising by 1.9%. EBITDA margins were 24.5%, down 140 bps YoY but showed a sequential improvement of 231 bps. Reported PAT stood at Rs 131 Cr, marking a 4.4% YoY increase due to improved operating leverage.

In developing hospitals, the topline shows gradual recovery signs with a 4.2% YoY growth. Occupancies improved by 800/400 bps QoQ/YoY, with overall occupied bed days increasing by 14.5%, while ARPOB declined by 5.9% due to a change in the payer mix. Medanta added 66 beds at the Patna unit and 52 beds at the Lucknow unit. Matured hospitals showed 13.5% topline growth, with occupancies up by 200/400 bps QoQ/YoY and ARPOB up by 6.2% YoY, driven by revised tariffs at the Gurugram hospital and an improved payer mix. EBITDA margins remained relatively stable for the matured units.

Medanta has acquired land in Mumbai for the construction of a 500+ bed hospital, with Rs 370 Cr capex incurred in H1FY25, including Rs 131 Cr related to land acquisition. Additionally, Medanta has entered into an MoU for the O&M of a 750-bed super speciality hospital in Pitampura, Delhi, in collaboration with the Dr. Narayan Dutt Shirmali Foundation International Charitable Trust Society.

Key Financials (Consolidated)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	957	11.1%	13.3%	887	7.8%
EBITDA	234	22.6%	7.2%	200	17.2%
EBITDA Margin	24.5%	231	-140	22.5%	-
Net Profit	131	26.1%	6.0%	110	19.0%
EPS (Rs)	4.88	26.1%	6.0%	4.10	19.0%

Source: Company, Axis Securities Research

(CMP as of 14 November 2024)

CMP (Rs)	1,072
Upside /Downside (%)	12%
High/Low (Rs)	1,513/881
Market cap (Cr)	28,800
Avg. daily vol. (6m) Shrs.	3,92,872
No. of shares (Cr)	26.82

Shareholding (%)

	Mar-24	Jun-24	Sep-24
Promoter	33.0	33.0	33.0
FII's	12.1	12.9	12.2
MFs / UTI	8.3	9.0	9.6
Banks	0.0	0.0	0.0
Others	46.6	45.0	45.2

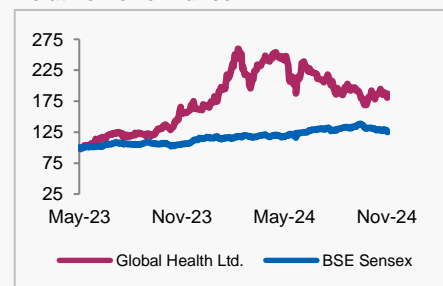
Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	3,275	3,839	4,547
EBITDA	799	960	1,105
Net Profit	478	545	633
EPS (Rs)	17.8	20.3	23.6
PER (x)	60.2	52.7	45.4
P/BV (x)	9.9	8.3	7.0
EV/EBITDA (x)	35.6	29.0	24.8
ROE (%)	16.5	15.8	15.5

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0.9%	6.9%
EBITDA	-2.3%	-6.9%
PAT	-10.2%	-16.9%

Relative Performance



Source: Ace Equity

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Outlook

The shift in the IPD revenue mix from Cash to TPA appears to be temporary, and we anticipate a restoration to previous levels soon. Despite a softened performance in Lucknow for H1FY25, the facility has strengthened its clinical team with the hiring of 52 specialized clinicians. As the second-largest hospital chain in India after Max Health, Medanta is well-positioned to benefit from increasing consumer spending in the healthcare sector.

Medanta has acquired land in Mumbai for a new 500+ bed hospital, with a total investment of Rs 1,200 Cr for acquisition and construction. The new hospital is expected to generate revenue in the range of Rs 700 to Rs 800 Cr and a potential profit of around Rs 200 Cr.

Valuation & Recommendation

Given the anticipated restoration of business from temporary hurdles, improvements in ARPOB, and the addition of incremental bed capacity, along with the Noida Hospital now expected to be operational from FY26E instead of H2FY25, we maintain a BUY rating on Medanta. The target price is set at Rs 1,200/share, representing an upside potential of 12% from the CMP. This valuation is based on a multiple of 25x EV/EBITDA for FY26E.

Key Risks to Our Estimates and TP

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

Change in Estimates

(Rs Cr)	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	3,839	4,547	3,805	4,255	0.9%	6.9%
EBITDA	960	1,105	982	1187	-2.3%	-6.9%
PAT	545	633	607	761	-10.2%	-16.9%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
Net Sales	844	836	809	861	957	13.3%	11.1%
Growth (YoY%)	24.3%	20.5%	15.0%	11.4%	13.3%		
Total Expenditure	625	615	617	670	722	15.5%	7.8%
Raw Material Consumed	194	191	194	209	228		
% of sales	22.9%	22.8%	24.0%	24.3%	23.8%		
Gross margins (%)	77.1%	77.2%	76.0%	75.7%	76.2%	-90	43
Employee Expenses	184	185	188	201	214	16.6%	6.5%
% of sales	21.8%	22.1%	23.2%	23.4%	22.4%		
Medical consultancy charges	107.2	111.6	108.0	118.5	122.2	14.0%	3.2%
% of sales	12.7%	13.3%	13.4%	13.8%	12.8%		
Other Expenses	140.8	127.5	127.9	141.3	157.6		
% of sales	16.7%	15.2%	15.8%	16.4%	16.5%		
EBITDA	219	222	191	191	234	7.2%	22.6%
EBITDAM (%)	25.9%	26.5%	23.6%	22.2%	24.5%	-140	231
Interest	20	18	18	18	16		
Depreciation	43	44	45	47	49		
Impairment losses on financial assets	6	6	12	5	6		
Other Income	21	18	27	22	18		
Exceptional Items	0	0	0	0	0		
PBT	171	173	143	144	181	6.0%	26.1%
Tax	45	49	16	37	50		
Reported PAT	125	124	128	106	131		

Source: Company, Axis Securities Research

Revenue Breakup

Particulars (Rs Cr)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Census Bed	2,223	2,223	2,256	2,354	2,446
Occupied Beds	1,291	1,291	1,341	1,385	1,573
Avg. Occupancy Rate (AOR)	58.07%	58.07%	59.44%	58.84%	64.31%
ALOS (Days)	3.19	3.19	3.19	3.05	3.20
ARPOB (Rs)	61,003	60,571	63,063	64,035	62,140

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Particulars (Rs Cr)	FY24	FY25E	FY26E	FY27E
Net Sales	3,275	3,839	4,547	5,136
Growth (%)	21.6%	17.2%	18.4%	12.9%
Total Expenditure	2,476	2,879	3,442	3,883
Raw Material Consumed	688	898	1,082	1,233
% of sales	23.2%	23.4%	23.8%	24.0%
Gross margins (%)	76.8%	76.6%	76.2%	76.0%
Employee Expenses	735	864	1,023	1,150
% of sales	22.4%	22.5%	22.5%	22.4%
Other Expenses	555	607	714	796
% of sales	16.9%	15.8%	15.7%	15.5%
EBIDTA	799	960	1,105	1,253
EBITDAM (%)	24.4%	25.0%	24.3%	24.4%
EBIT	626	754	872	999
EBITM (%)	19.1%	19.6%	19.2%	19.4%
Other Income	75	50	50	50
Exceptional Items	0	0	0	0
Share of P/L of Associates	0	0	0	0
PBT	627	735	853	979
Tax Rate (%)	23.8%	25.8%	25.8%	25.8%
Tax	149	190	220	253
Reported PAT	478	545	633	727

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Particulars (Rs Cr)	FY24	FY25E	FY26E	FY27E
Share Capital	54	54	54	54
Reserves & Surplus	2,852	3,397	4,030	4,756
Shareholders Fund	2,906	3,451	4,083	4,810
- Long Term Borrowings	802	602	602	602
Total Non-Current Liabilities	781	602	602	602
- Short Term Borrowings	0	0	0	0
- Trade Payables	187	221	262	296
- Other Current Liabilities	431	505	598	675
- Short Term Provisions	0	0	0	0
Total Current Liabilities	618	726	860	971
Total Liabilities	4,304	4,778	5,545	6,383
Gross Block	2,813	3,374	3,824	4,174
Depreciation	1,000	1,206	1,439	1,694
% of GB	35.5%	35.7%	37.6%	40.6%
- Fixed Assets	2,623	2,692	2,909	3,004
- Long Term Loans & Advances	172	210	249	281
Total Non-Current Assets	2,795	2,903	3,158	3,286
- Inventories	67	74	87	99
- Trade Receivables	215	252	299	338
- Cash & Cash Equivalents	1,175	1,498	1,949	2,609
- Short Term Loans & Advances	17	17	17	17
- Other Current Assets	34	34	34	34
Total Current Assets	1,509	1,875	2,386	3,097
TOTAL ASSETS	4,304	4,778	5,545	6,383

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Particulars (Rs Cr)	FY24	FY25E	FY26E	FY27E
PBT	627	735	853	979
Add: Depreciation	173	206	233	255
Add: Interest	103	69	69	69
Cash flow from operations	903	1,010	1,155	1,303
Change in working capital	406	-47	-35	-29
Taxes	149	190	220	253
Miscellaneous expenses	0	0	0	0
Net cash from operations	349	867	970	1,080
Capital expenditure	-419	-275	-450	-350
Change in Investments	0	0	0	0
Net cash from investing	-419	-275	-450	-350
Increase/Decrease in debt	65	-200	0	0
Dividends	0	0	0	0
Proceedings from equity	0	-0	0	0
Interest	-103	-69	-69	-69
Others	6	-0	0	0
Net cash from financing	-33	-269	-69	-69
Net Inc./ (Dec.) in Cash	-103	323	451	660
Opening cash balance	1,278	1,175	1,498	1,949
Closing cash balance	1,175	1,498	1,949	2,609

Source: Company, Axis Securities Research

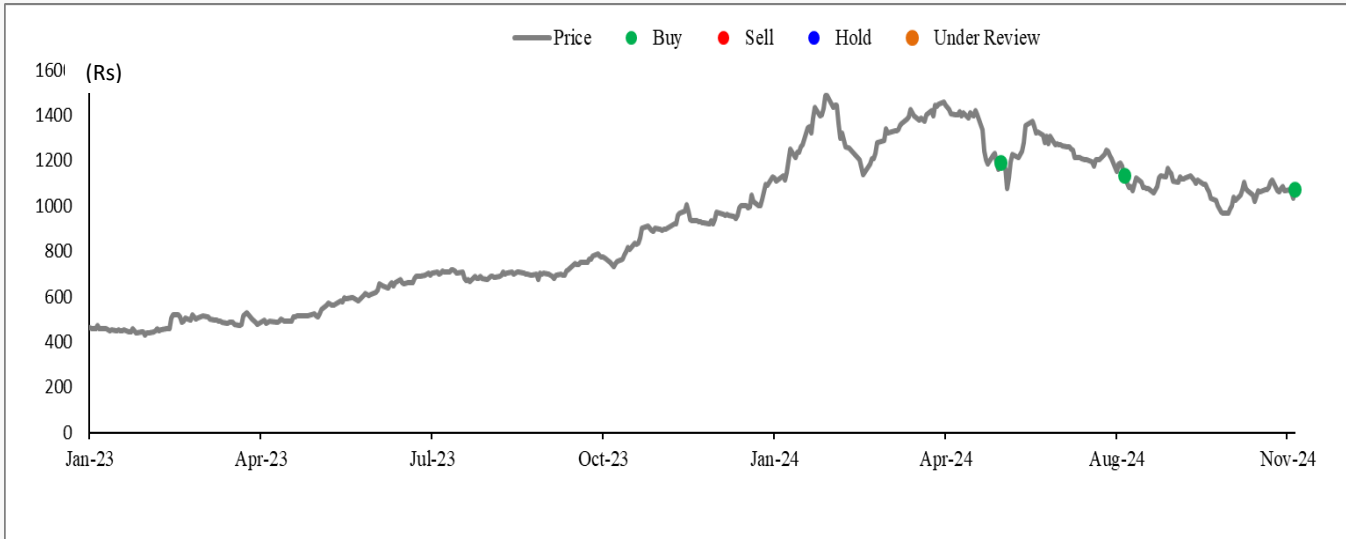
Ratio Analysis

(%)

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

Global Health Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
03-Jun-24	BUY	1,475	Initiating Coverage
12-Aug-24	BUY	1,245	Result Update
18-Nov-24	BUY	1,200	Result Update

Source: Axis Securities Research

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