

Global Health

Estimate change



TP change



Rating change



Bloomberg	MEDANTA IN
Equity Shares (m)	269
M.Cap.(INRb)/(USDb)	242.3 / 2.9
52-Week Range (INR)	937 / 391
1, 6, 12 Rel. Per (%)	22/72/-
12M Avg Val (INR M)	432

Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	26.9	33.3	38.2
EBITDA	6.2	8.3	9.4
Adj. PAT	3.3	4.9	5.9
EBIT Margin (%)	17.2	19.6	19.8
Cons. Adj. EPS (INR)	12.1	18.2	21.8
EPS Gr. (%)	63.4	50.1	19.7
BV/Sh. (INR)	90.4	105.4	123.4

Ratios

Net D:E	0.1	0.0	(0.0)
RoE (%)	16.1	18.6	19.1
RoCE (%)	12.2	15.0	16.6
Payout (%)	-	17.6	17.6

Valuations

P/E (x)	74.6	49.7	41.5
EV/EBITDA (x)	39.8	29.5	25.9
EV/Sales (x)	9.2	7.3	6.4
Div. Yield (%)	-	0.3	0.4
FCF Yield (%)	1.7	1.2	0.7
EV/Sales (x)	9.2	7.3	6.4

Shareholding pattern (%)

As On	Sep-23	Jun-23
Promoter	33.1	33.1
DII	10.9	10.8
FII	10.7	10.6
Others	45.3	45.6

FII Includes depository receipts

CMP: INR903
TP: INR1,050 (+16%)
Buy

Superior execution across hospitals

Bed expansion also remains on track

- Global Health (Medanta) surpassed 2QFY24 earnings estimates, primarily driven by a notable increase in the number of patients treated across its hospitals and a moderate rise in ARPOB for the quarter.
- Medanta also exhibited healthy growth in international patient revenue, implying enhanced acceptability outside India as well.
- We raise our earnings estimate by 13% each for FY24/FY25, factoring in a) faster utilization of beds in developing hospitals, b) better operational efficiency across mature as well as developing hospitals, and c) the advantage of introducing new indications at the Gurgaon facility. We also raise 12M EV/EBITDA multiple to 26x (from 23x earlier) to factor in faster scale-up of newer hospitals and better visibility to add new sites (Noida/South Delhi/Indore). Accordingly, we arrive at a price target of INR1,050.
- Interestingly, Medanta is on path to achieve our expected FY25 financial performance in FY24 itself. Further, the institution is actively expanding its capacity, having not only increased bed numbers, but also adding clinical resources (added 160/500 doctors/nurses over past one year) to meet the growing demand across various sites and incorporate new medical indications. We reiterate our BUY rating on the stock.

Increased volumes/lower ALOS led enhanced operating leverage

- In 2QFY24, sales grew 24.3% YoY to INR8.4b. (our est: INR8b).
- Mature hospitals revenue grew 19.5% YoY to INR6b (72% of sales), while developing hospitals revenue grew 40.3% YoY to INR2.6b (28% of sales).
- EBITDA margin expanded 260bp to 25.9% YoY, due to strong operating leverage (employee cost/other cost down 180bp/90bp YoY as % sales).
- Mature hospital EBITDA margin came in at 25.5% (up 260bp YoY) and developing hospital EBITDA margin came in at 33.9% (up 430bp YoY).
- Accordingly, EBITDA grew 38.3% YoY to INR2.2b (our est: INR1.9b).
- PAT grew 46% YoY to INR1.3b, due to better core operations and higher 'other income' (up 34% YoY) (our est: INR1.1b).
- In 1HFY24, Revenue/EBITDA/PAT grew 25%/38%/57% YoY to INR16b/INR4b/INR2.2b.

Highlights from the management commentary

- Medanta is on track to add 125-150 beds in Patna and 100-150 beds in Lucknow by the end of the year.
- 100 beds would be added in the Gurgaon facility with minimal capex. These beds would be utilized for Mother-child care and oncology. The rooms are expected to be operational by FY25.
- Medanta is consistently enhancing the profitability of its Patna facility by increasing the volume of patient treatments and introducing new medical indications. Additionally, the adoption of the PPP mode has resulted in a growing influx of patients.
- The construction at the Noida site is progressing well, with commercialization expected at the end of FY25.

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Consolidated - Quarterly Earning Model

(INRm)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Gross Sales	6,172	6,791	6,943	7,034	7,730	8,439	8,609	8,561	26,943	33,340	8,013	5.3%
YoY Change (%)	27.1	17.6	19.1	35.2	25.2	24.3	24.0	21.7	14.0	14.0	18.0	
Total Expenditure	4,843	5,211	5,316	5,375	5,887	6,255	6,448	6,482	20,746	25,072	6,074	
EBITDA	1,329	1,580	1,627	1,659	1,843	2,185	2,161	2,080	6,197	8,268	1,939	12.7%
YoY Change (%)	31.2	15.3	18.4	112.2	38.7	38.3	32.8	25.4	36.5	33.4	22.7	
Margins (%)	21.5	23.3	23.4	23.6	23.8	25.9	25.1	24.3	23.0	24.8	24.2	
Depreciation	366	385	414	409	468	485	432	335	1,575	1,720	420	
Interest	185	182	207	205	179	201	140	87	779	607	160	
Other Income	93	155	119	284	215	208	190	191	649	803	170	
PBT before EO expense	871	1,168	1,125	1,329	1,410	1,707	1,779	1,848	4,492	6,744	1,529	11.6%
Extra-Ord expense/(Income)	0	0	0	0	0	0	0	0	0	0	0	
PBT	871	1,168	1,125	1,329	1,410	1,707	1,779	1,848	4,492	6,744	1,529	11.6%
Tax	284	311	319	320	390	455	491	513	1,231	1,849	405	
Rate (%)	32.6	26.6	28.4	24.1	27.7	26.6	27.6	27.7	27.4	27.4	26.5	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	587	857	806	1,009	1,020	1,252	1,288	1,335	3,261	4,895	1,124	11.4%
Adj PAT	587	857	806	1,011	1,020	1,252	1,288	1,335	3,261	4,895	1,124	11.4%
YoY Change (%)	40.6	28.0	15.1	476.3	73.8	46.1	59.8	32.1	63.4	50.1	31.2	
Margins (%)	9.5	12.6	11.6	14.4	13.2	14.8	15.0	15.6	12.1	14.7	14.0	

E: MOFSL Estimates



Highlights from the management commentary

- The ARPOB of developing hospitals has been largely stable YoY as there has not been any tariff hike at Lucknow over the past four years. Further, the recent viral infection has been ARPOB dilutive.
- INR700m-INR1b capex would be spent on medical equipment infrastructure and technology advancement at its Gurgaon facility.
- Volume growth was due to the increase in new beds last year, new talent pool, and seasonality.
- Medanta recruited 215 doctors on an overall basis over 1HFY24 to meet clinical talent requirements.
- Four operating theatres are added at the Patna facility and one operating theatre in Lucknow.
- Medanta to increase 40-50 ICU care beds in Patna in the coming quarters.

Other operational highlights

- In 2QFY24, ARPOB grew 4.8% to INR61K, driven by an increase in tariffs at the Gurgaon unit and growth in Lucknow and Patna.
- Mature hospitals revenue grew 19.5% YoY to INR6b (72% of sales), while developing hospitals revenue grew 40.3% YoY to INR2.6b (28% of sales).
- Mature hospital EBITDA stood at INR1.5b with margins expanding 260bp YoY to 25.5%.
- Developing hospital EBITDA stood at INR897m with margins expanding 430bp YoY to 33.9%.
- International patients' revenue increased 20% YoY to INR507m, driven by higher volumes and realization.
- ALOS stood at 3.1 days (vs. 3.2/3.1 days in 2QFY23/1QFY24)
- IPD/OPD volume increased 19.4%/23.2% YoY.
- OPD Pharmacy revenue increased 39% YoY to INR298m.
- Debt repayment stood at ~ INR4b in 1HFY24.
- Net Cash surplus stood at INR6b at the end of 2QFY24.
- A total capex of INR1.3b was expended from during Apr to Sept'23, with INR310m allocated specifically for the development of the Noida hospital.

Key exhibits

Exhibit 1: Revenue for hospitals grew 24.3% YoY in 2QFY24

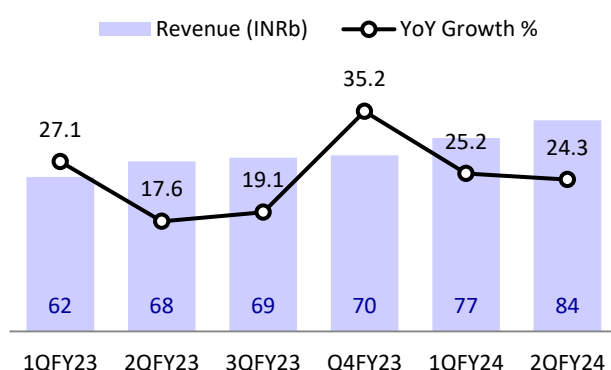
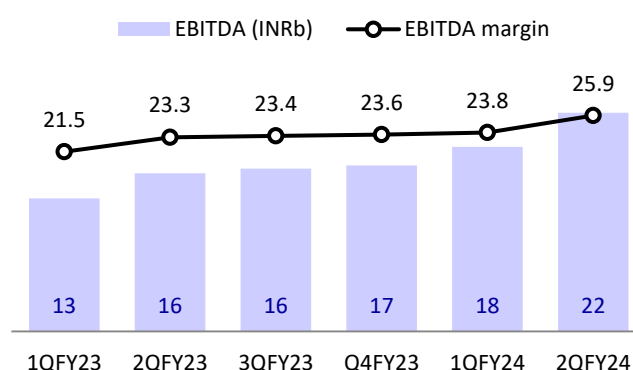


Exhibit 2: EBITDA margin expanded 260bp in 2QFY24



CAPEX work-in-progress/new indication to drive growth over long term

Increased volume/capacity expansion to drive growth

- In 1HFY24, the revenue from matured hospital grew 20% YoY to INR11.8b and from revenue from developing hospital grew 47% YoY to INR5b. This is due to higher patient volumes across all the facilities, bed growth, doctor additions, and technology advancement.
- Also, the EBIDTA margins in matured as well as developing hospital improved due to enhanced utilization of beds.
- Medanta aims to enhance profitability by augmenting patient volume through the addition of new medical indications, expanding capacity, and leveraging technological advancements.
- We expect a 19% sales CAGR in healthcare services to INR38b over FY23-25.

Investing in future growth

- Medanta has 2,725 beds installed at the end of 2QFY24. Medanta is focusing on growing its capacity to ~3,500-4,000 beds by the end of FY25.
- Medanta is focusing on increasing this capacity at North and Central India, as it wants to deepen its presence in these markets.
- Medanta plans to add a) 100 beds at Gurgaon, b) 300-350 beds at Lucknow, c) 150-300 beds at Patna and 300-550 beds at Noida over FY23-25.
- This provides robust runway for growth over the next three to four years.

Strengthening presence across NCR region to drive growth over long term

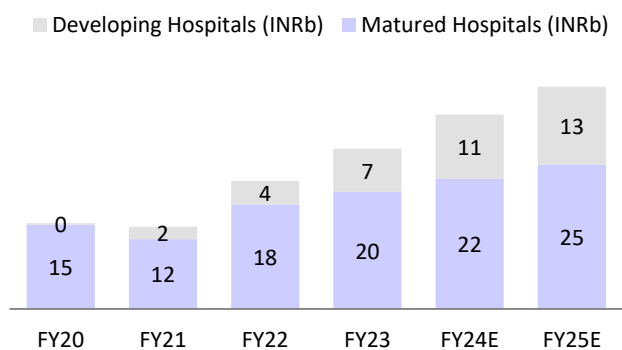
- Medanta has entered into JV with DLF to develop the 400-bed super specialty hospital at Delhi.
- The super-specialty hospital will offer medical and surgical interventions across more than 20 specialties, including the establishment of a comprehensive cancer health unit.
- Post the commercialization of the facility, the bed count would increase to 2,400 in the NCR region.

Maintain Buy

- We raise our earnings estimate by 13% each for FY24/FY25, factoring in a) faster utilization of beds in developing hospitals, b) better operational efficiency across mature as well as developing hospitals, and c) the advantage of introducing new indications at the Gurgaon facility. We also raise 12M EV/EBITDA multiple to 26x (from 23x earlier) to factor faster scale-up of newer hospitals and better visibility to add new sites (Noida/South Delhi/Indore). Accordingly, we arrive at a price target of INR1,050.
- Interestingly, Medanta is on path to achieve our expected FY25 financial performance in FY24 itself. Further, it continues to pursue initiatives not only to increase bed capacity but also augment clinical resources (added 160/500 doctors/nurses over past one year). This approach aims to meet the growing demand across various sites and incorporate new medical indications. We reiterate our BUY rating on the stock.

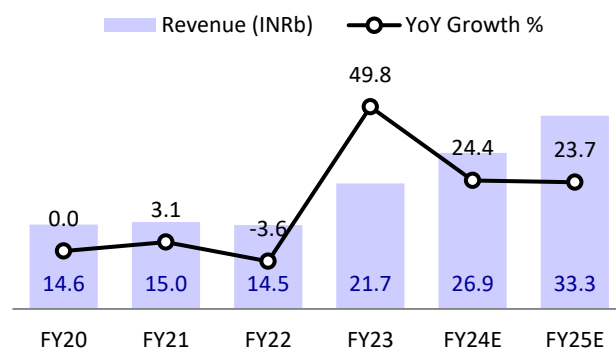
Story in charts

Exhibit 3: Expect 81% sales CAGR over FY23-25 in Developing hospitals



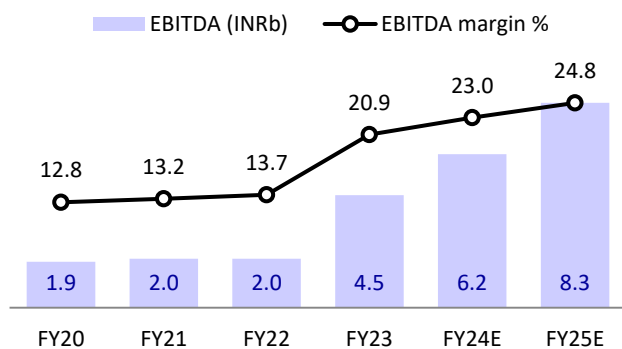
Source: Company, MOFSL

Exhibit 4: Expect 54% overall revenue CAGR over FY23-25



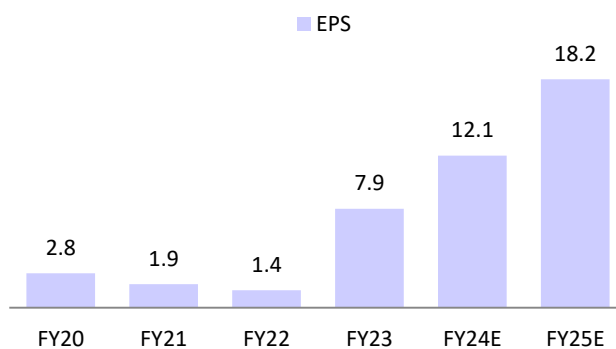
Source: Company, MOFSL

Exhibit 5: Expect 390bp margin expansion over FY23-25



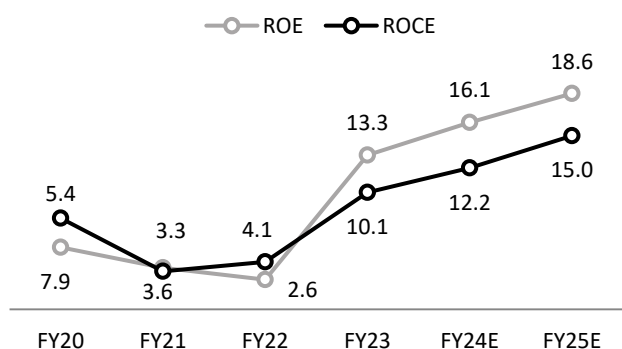
Source: Company, MOFSL

Exhibit 6: Expect ~2.5x profit growth over FY23-25



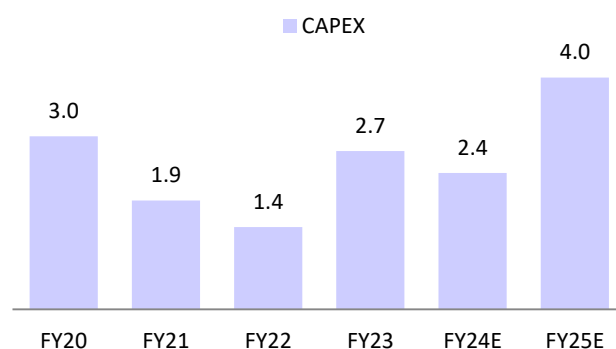
Source: Company, MOFSL

Exhibit 7: Expect return ratio to further improve over FY23-25



Source: Company, MOFSL

Exhibit 8: Significant investment in capacity expansion



Source: Company, MOFSL

Financials and valuation

Global Health Ltd. - Income Statement

	(INRm)						
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	14,558	15,004	14,467	21,666	26,943	33,340	38,240
Change (%)		3.1	-3.6	49.8	24.4	23.7	14.7
EBITDA	1,857	1,977	1,977	4,539	6,197	8,268	9,369
Margin (%)	12.8	13.2	13.7	20.9	23.0	24.8	24.5
Depreciation	1,016	1,150	1,232	1,297	1,575	1,720	1,798
EBIT	841	827	745	3,242	4,622	6,548	7,571
Int. and Finance Charges	331	515	672	795	779	607	421
Other Income	502	438	314	392	649	803	921
PBT bef. EO Exp.	1,013	750	387	2,839	4,492	6,744	8,071
EO Items	-180	-111	-63	-33	0	0	0
PBT after EO Exp.	832	639	325	2,806	4,492	6,744	8,071
Total Tax	319	275	37	844	1,231	1,849	2,212
Tax Rate (%)	38.4	43.1	11.3	30.1	27.4	27.4	27.4
Minority Interest	0	0	0	0	0	0	0
Reported PAT	513	363	288	1,962	3,261	4,895	5,859
Adjusted PAT	693	475	351	1,995	3,261	4,895	5,859
Change (%)		-31.5	-26.1	469.0	63.4	50.1	19.7
Margin (%)	4.8	3.2	2.4	9.2	12.1	14.7	15.3

E: MOFSL est.

Global Health Ltd. - Balance Sheet

	(INRm)						
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	491	493	496	506	536	536	536
Other equity	12,464	13,002	13,328	15,654	23,746	27,778	32,605
Net Worth	12,955	13,495	13,823	16,160	24,282	28,315	33,141
Minority Interest	0	0	0	0	0	0	0
Total Loans	8,075	9,289	9,314	11,089	11,220	7,470	5,470
Deferred Tax Liabilities	286	81	0	0	0	0	0
Other Non-Current Liabilities	333	385	426	713	468	579	664
Capital Employed	21,649	23,250	23,563	27,963	35,970	36,364	39,275
Gross Block	11,829	17,488	17,907	20,828	25,087	28,671	34,421
Less: Accum. Deprn.	3,230	4,198	5,239	6,381	7,956	9,676	11,474
Net Fixed Assets	8,600	13,290	12,667	14,447	17,131	18,994	22,946
Goodwill on Consolidation	3,337	3,741	3,489	3,311	3,371	3,371	3,371
Capital WIP	6,663	3,817	4,638	4,393	3,270	3,270	3,270
Total Investments	0	0	1	1	1	1	1
Other Non-Current Assets	811	1,029	1,124	1,186	1,593	1,971	2,261
Curr. Assets, Loans & Adv.	4,886	4,786	5,021	8,117	15,795	15,123	14,739
Inventory	233	385	398	534	604	528	484
Account Receivables	1,642	1,492	1,336	1,802	1,942	2,403	2,756
Cash and Bank Balance	2,665	2,501	2,893	5,118	7,672	6,582	5,863
Loans and Advances	347	408	394	663	5,577	5,610	5,636
Curr. Liability & Prov.	2,647	3,412	3,378	3,493	5,190	6,366	7,312
Account Payables	1,265	1,307	1,316	1,343	1,947	2,353	2,710
Other Current Liabilities	1,270	1,916	1,785	1,956	2,445	3,025	3,470
Provisions	112	189	277	193	798	987	1,133
Net Current Assets	2,239	1,374	1,644	4,625	10,605	8,757	7,427
Appl. of Funds	21,649	23,250	23,563	27,963	35,970	36,364	39,275

E: MOFSL Estimates

Financials and valuation

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	2.8	1.9	1.4	7.9	12.1	18.2	21.8
Cash EPS	6.8	6.5	6.3	13.0	18.0	24.6	28.5
BV/Share	51.5	53.6	54.8	64.0	90.4	105.4	123.4
DPS	0.0	0.0	0.0	0.0	0.0	2.7	3.3
Payout (%)	0.0	0.0	0.0	0.0	0.0	17.6	17.6
Valuation (x)							
P/E	328.7	480.2	651.3	114.7	74.6	49.7	41.5
Cash P/E	133.3	140.3	144.3	69.5	50.3	36.8	31.8
P/BV	17.6	16.9	16.5	14.2	10.0	8.6	7.3
EV/Sales	16.0	15.6	16.2	10.8	9.2	7.3	6.4
EV/EBITDA	125.6	118.7	118.8	51.7	39.8	29.5	25.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.3	0.4
FCF per share	-5.3	-0.5	4.0	1.5	15.2	10.8	6.8
Return Ratios (%)							
RoE	5.4	3.6	2.6	13.3	16.1	18.6	19.1
RoCE	7.9	3.3	4.1	10.1	12.2	15.0	16.6
RoIC	8.4	3.2	4.0	13.1	15.4	16.4	17.1
Working Capital Ratios							
Asset Turnover (x)	0.7	0.6	0.6	0.8	0.7	0.9	1.0
Inventory (Days)	6	8	10	8	8	6	5
Debtor (Days)	41	36	34	30	26	26	26
Creditor (Days)	32	32	33	23	26	26	26
Leverage Ratio (x)							
Current Ratio	1.8	1.4	1.5	2.3	3.0	2.4	2.0
Interest Cover Ratio	2.5	1.6	1.1	4.1	5.9	10.8	18.0
Net Debt/Equity	0.4	0.5	0.5	0.4	0.1	0.0	0.0
Net Debt/EBITDA	2.7	3.2	3.0	1.2	-0.3	-0.6	-0.6

Global Health Ltd. - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	833	639	325	2,806	4,492	6,744	8,071
Depreciation	883	1,150	1,232	1,297	1,499	1,720	1,798
Interest & Finance Charges	331	515	672	795	779	607	421
Direct Taxes Paid	-675	-562	-164	-980	-1,061	-1,849	-2,212
(Inc)/Dec in WC	29	21	366	-668	1,028	491	406
CF from Operations	1,400	1,764	2,431	3,250	6,737	7,714	8,484
Others	255	-13	-13	-137	-292	-803	-921
CF from Operating incl EO	1,656	1,751	2,418	3,113	6,445	6,911	7,563
(Inc)/Dec in FA	-2,986	-1,877	-1,419	-2,731	-2,352	-4,000	-5,750
Free Cash Flow	-1,331	-127	998	382	4,093	2,911	1,813
(Pur)/Sale of Investments							
Others	499	1,007	-972	-1,478	-1,071	1,219	921
CF from Investments	-2,488	-871	-2,392	-4,209	-3,423	-2,781	-4,829
Inc/(Dec) in Debt	1,643	940	-30	2,152	-275	-3,750	-2,000
Interest Paid	-679	-951	-779	-936	-1,054	-607	-421
Others	6	2	2	380	4,785	-863	-1,033
CF from Fin. Activity	970	-9	-807	1,596	3,456	-5,220	-3,453
Inc/Dec of Cash	138	871	-781	500	6,478	-1,090	-719
Opening Balance	466	605	1,476	695	1,194	7,672	6,582
Closing Balance	605	1,476	695	1,194	7,672	6,582	5,863
FX and others	2,060	16	642	608	0	0	0
Total Cash & Cash Eq	2,665	1,492	1,336	1,802	7,672	6,582	5,863

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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