

# Global Health

Estimate change 

TP change 

Rating change 

Bloomberg	MEDANTA IN
Equity Shares (m)	269
M.Cap.(INRb)/(USDb)	340.8 / 4.1
52-Week Range (INR)	1309 / 447
1, 6, 12 Rel. Per (%)	27/76/160
12M Avg Val (INR M)	350

## Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	33.4	38.4	43.4
EBITDA	8.6	10.4	11.8
Adj. PAT	5.0	6.4	7.5
EBIT Margin (%)	19.9	21.8	22.0
Cons. Adj. EPS (INR)	18.6	24.0	28.0
EPS Gr. (%)	53.4	28.6	16.8
BV/Sh. (INR)	105.8	125.5	148.6

## Ratios

Net D:E	0.0	(0.0)	(0.1)
RoE (%)	19.0	20.7	20.4
RoCE (%)	15.4	18.1	18.8
Payout (%)	17.6	17.6	17.6

## Valuations

P/E (x)	68.3	53.1	45.5
EV/EBITDA (x)	39.9	32.7	28.6
EV/Sales (x)	10.2	8.9	7.8
Div. Yield (%)	0.2	0.3	0.3
FCF Yield (%)	0.9	0.8	1.0
EV/Sales (x)	10.2	8.9	7.8

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	33.1	33.1	33.1
DII	11.2	10.9	12.6
FII	11.4	10.7	9.4
Others	44.4	45.6	45.0

FII Includes depository receipts

**CMP: INR1270**

**TP: INR1,460 (+15%)**

**Buy**

## Volume growth, improved efficiency aid earnings growth

### Noida project on track; Indore project faces hiccups

- Global Health (Medanta) delivered an in-line performance in 3QFY24, which marked the eighth consecutive quarter of robust YoY growth in sales/EBITDA/PAT. Interestingly, YoY growth in revenue was mainly led by high volumes in both in-patient (IPD) and out-patient (OPD). ARPOB grew ~4%-5% YoY.
- We raise our earnings estimates by 4%/10%/9% in FY24/FY25/FY26 to factor in a) strong demand driving better business prospects in Lucknow/Patna, and b) sustained improvement in the performance of matured hospitals. We value Medanta at 28x 12M forward EV/EBITDA to arrive at a TP of INR1,460.
- Medanta is well poised to deliver consistent growth in earnings on the back of bed additions in existing hospitals, the commissioning of new hospitals (Noida/South Delhi), and the addition of medical talent to meet healthy demand in respective markets. **Reiterate BUY.**

### Improved IPD/OPD volume leads to margin uptrend

- In 3QFY24, Medanta's sales grew 20% YoY to INR8.3b (in line). Revenue of mature hospitals grew 17% YoY to INR6b, while that of developing hospitals increased by 32.6% YoY to INR2.7b.
- EBITDA margin expanded 260bp to 25.9 % YoY due to strong operating leverage, with lower employee costs/other expenses (down 80bp/210bp YoY as % of sales).
- Mature hospitals EBITDA came in at INR1.5b (63% of EBITDA) and margin expanded 380bp YoY to 25.3%. Developing hospitals EBITDA stood at INR968m (37% of EBITDA) and margin expanded 420bp YoY to 35.3%.
- Accordingly, total EBITDA grew 34% YoY to INR2.2b (in line).
- PAT jumped 53% YoY to INR1.2b, thanks to better core operations and higher other income (up 84% YoY; in line).
- During 9MFY24, revenue/EBITDA/PAT grew 23%/37%/56% YoY to INR24.5b/INR6.2b/INR3.5b.

### Highlights from the management commentary

- Medanta added 159/94 doctors in developing/mature hospitals in 9MFY24.
- In the Noida project, ~82% of super structure work is completed and it is on track to commence operations by end FY25. Since it is a single-tower facility, the company can scale up this site much faster.
- Medanta has not increased prices at Lucknow/Patna since inception.
- Lucknow has witnessed strong demand, so the company added 150 beds. It has also exhibited robust operating efficiency.
- Medanta launched advanced NICU ambulance and child development center at Lucknow.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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## Consolidated - Quarterly Earning

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
<b>Gross Sales</b>	<b>6,172</b>	<b>6,791</b>	<b>6,943</b>	<b>7,034</b>	<b>7,730</b>	<b>8,439</b>	<b>8,326</b>	<b>8,936</b>	<b>26,943</b>	<b>33,432</b>	<b>8,262</b>	<b>0.8%</b>
YoY Change (%)	27.1	17.6	19.1	35.2	25.2	24.3	19.9	27.0	14.0	14.0	19.0	
Total Expenditure	4,843	5,211	5,316	5,375	5,887	6,255	6,149	6,549	20,746	24,840	6,188	
<b>EBITDA</b>	<b>1,329</b>	<b>1,580</b>	<b>1,627</b>	<b>1,659</b>	<b>1,843</b>	<b>2,185</b>	<b>2,177</b>	<b>2,388</b>	<b>6,197</b>	<b>8,592</b>	<b>2,074</b>	<b>5.0%</b>
YoY Change (%)	31.2	15.3	18.4	112.2	38.7	38.3	33.8	43.9	36.5	38.6	27.5	
Margins (%)	21.5	23.3	23.4	23.6	23.8	25.9	26.1	26.7	23.0	25.7	25.1	
Depreciation	366	385	414	409	468	485	495	487	1,575	1,935	432	
Interest	185	182	207	205	179	201	177	144	779	701	140	
Other Income	93	155	119	284	215	208	219	295	649	936	190	
<b>PBT before EO expense</b>	<b>871</b>	<b>1,168</b>	<b>1,125</b>	<b>1,329</b>	<b>1,410</b>	<b>1,707</b>	<b>1,724</b>	<b>2,051</b>	<b>4,492</b>	<b>6,892</b>	<b>1,692</b>	<b>1.9%</b>
<b>PBT</b>	<b>871</b>	<b>1,168</b>	<b>1,125</b>	<b>1,329</b>	<b>1,410</b>	<b>1,707</b>	<b>1,724</b>	<b>2,051</b>	<b>4,492</b>	<b>6,892</b>	<b>1,692</b>	<b>1.9%</b>
Tax	284	311	319	320	390	455	488	556	1,231	1,889	467	
Rate (%)	32.6	26.6	28.4	24.1	27.7	26.6	28.3	27.1	27.4	27.4	27.6	
<b>Reported PAT</b>	<b>587</b>	<b>857</b>	<b>806</b>	<b>1,009</b>	<b>1,020</b>	<b>1,252</b>	<b>1,236</b>	<b>1,495</b>	<b>3,261</b>	<b>5,003</b>	<b>1,225</b>	<b>0.9%</b>
<b>Adj PAT</b>	<b>587</b>	<b>857</b>	<b>806</b>	<b>1,011</b>	<b>1,020</b>	<b>1,252</b>	<b>1,236</b>	<b>1,495</b>	<b>3,261</b>	<b>5,003</b>	<b>1,225</b>	<b>0.9%</b>
YoY Change (%)	40.6	28.0	15.1	476.3	73.8	46.1	53.3	47.9	66.2	53.4	52.0	
Margins (%)	9.5	12.6	11.6	14.4	13.2	14.8	14.8	16.7	12.1	15.0	14.8	

E: MOFSL Estimates



### Highlights from the management commentary

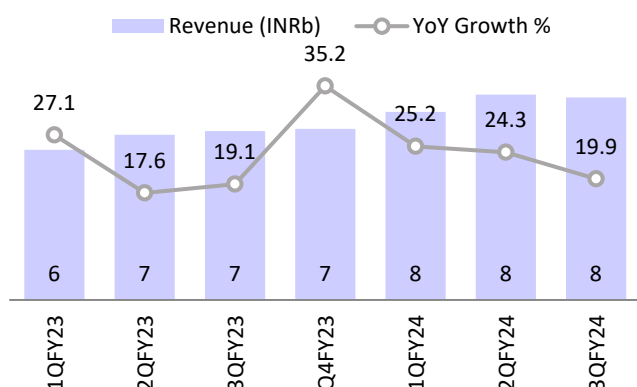
- Medanta expects to increase bed capacity in Patna to 450 from 358 currently. In Patna, it has started a comprehensive cancer institute in Patna and has the most advanced radiation oncology machine, first of its kind in the country.
- Patna hospital would start treating patients from government agencies.
- The due diligence with respect to Indore hospital is underway. Medanta is waiting for its partners to get necessary approvals.

### Other operational highlights

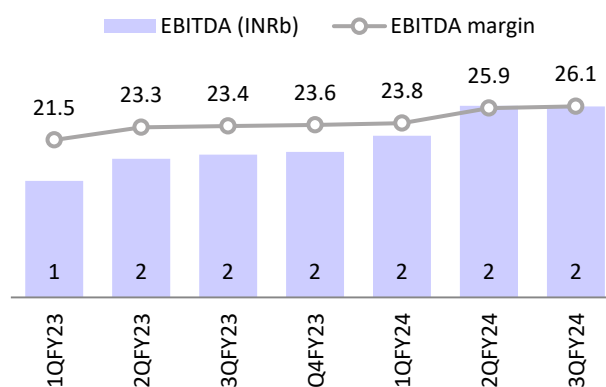
- In 3QFY24, ARPOB grew 3.8% YoY to INR60k, primarily driven by an increase in realizations at the Gurugram unit.
- Revenue from international patients increased 6% YoY to INR473m, driven by higher volumes and realization.
- ALOS stood at 3.3 days (vs. 3.3/3.0 days in 3QFY23/2QFY23).
- IPD/OPD volumes increased 13%/20% YoY for the quarter.
- OPD Pharmacy revenue increased 28% YoY to INR224m.

## Key exhibits

**Exhibit 1: Revenue for hospitals grew 20% YoY in 3QFY24**



**Exhibit 2: EBITDA margin expanded 270bp in 3QFY24**



### Work in progress to bring new capacity online

#### Increased volume/tariff hike to drive growth

- In 9MFY24, revenue from mature hospitals grew 19% YoY to INR17.7b and revenue from developing hospitals grew 42% YoY to INR7.7b. Revenue growth was attributed to higher patient volumes in all facilities, doctor additions, and technology advancements.
- EBITDA margins in mature and developing hospitals improved due to enhanced utilization of beds and increased volumes.
- Medanta aims to enhance profitability by augmenting patient volume through the addition of new medical indications, expanding capacity, and leveraging technological advancements.
- Additionally, with an increase in penetration of insurance in the country, the company expects an increase in volume going forward. The increase in tariffs would drive growth going forward.
- We expect a 14% sales CAGR in healthcare services to INR43.6b over FY24-26.

#### Enhancing efforts on building capabilities and capacities

- Medanta has 2,725 beds installed at the end of 3QFY24. Medanta is focusing on growing its capacity to ~3,500-4,000 beds by the end of FY25.
- The company is focusing on increasing its capacity in the north and central India through organic/inorganic opportunities as it wants to deepen its presence in the underpenetrated markets.
- Medanta plans to add 100 beds at Gurgaon, 300-350 beds at Lucknow, 150-300 beds at Patna, and 300-550 beds at Noida over FY24-25.
- Further, the company is upgrading its capabilities by the use of advanced AI-powered penumbra lightning technology for treating pulmonary embolism and other blood clots, exome sequencing, and advanced NICU ambulance and child development center.
- This provides robust runway for growth over the next three to four years.

**Strengthening presence in NCR to drive growth in long term**

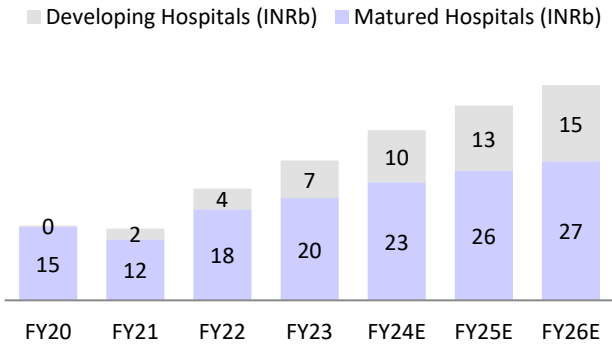
- Medanta has entered into a JV with DLF to develop a 400-bed super specialty hospital at Delhi.
- The super-specialty hospital will offer medical and surgical interventions across more than 20 specialties, including the establishment of a comprehensive cancer health unit.
- After the commercialization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

**Maintain Buy**

- We raise our earnings estimate by 4%/10%/9% for FY24/FY25/FY26 to factor in a) strong demand driving better business prospects in Lucknow/Patna, and b) sustained improvements in the performance of mature hospitals. We value Medanta at 28x 12M forward EV/EBITDA to arrive at a TP of INR1,460.
- Medanta remains well poised to deliver consistent growth in earnings, aided by the addition of beds at existing hospitals, the commissioning of new hospitals (Noida/South Delhi), and the addition of medical talent to meet healthy demand in respective markets. **Reiterate BUY.**

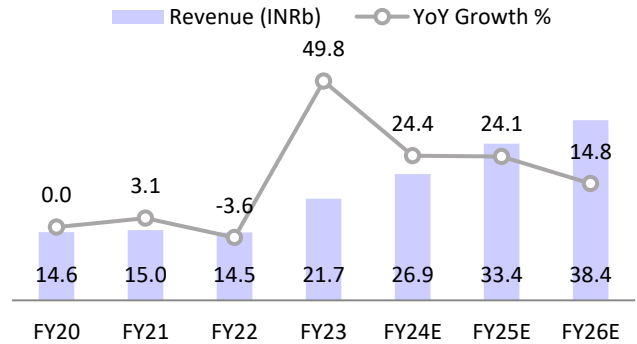
## Story in charts

**Exhibit 3: Expect 21% sales CAGR over FY24-26 in Developing hospitals**



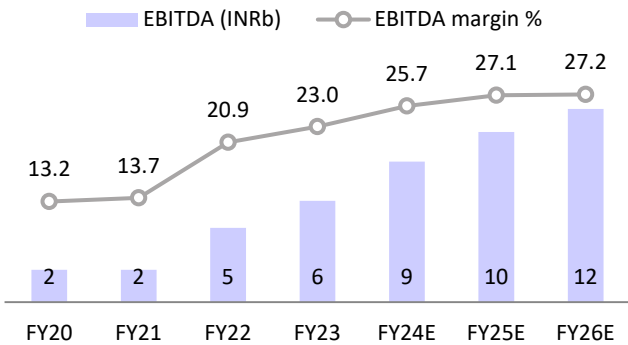
Source: Company, MOFSL

**Exhibit 4: Expect 19% overall revenue CAGR over FY24-26**



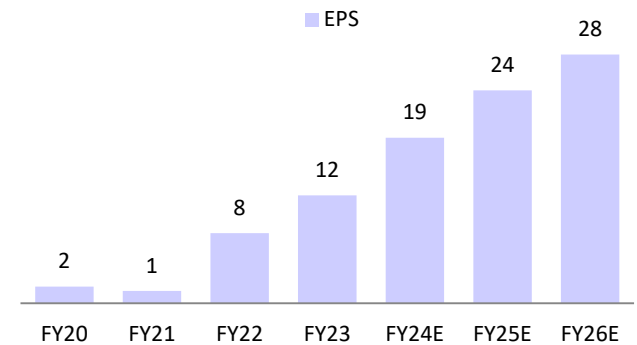
Source: Company, MOFSL

**Exhibit 5: Expect 1500bp margin expansion over FY24-26**



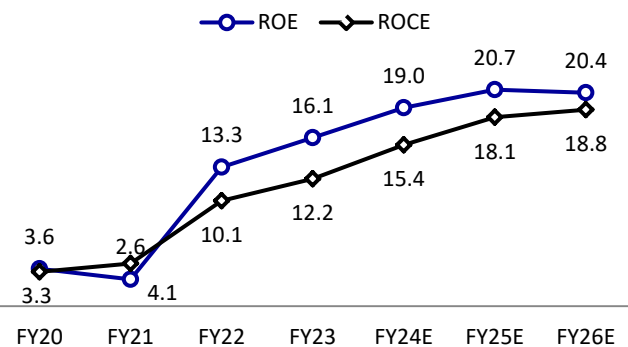
Source: Company, MOFSL

**Exhibit 6: Expect 23% profit growth over FY24-26**



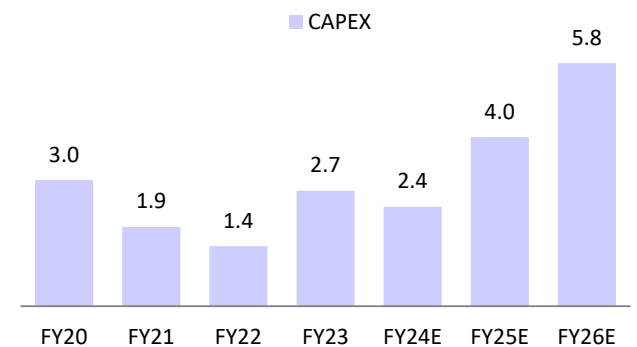
Source: Company, MOFSL

**Exhibit 7: Expect return ratio to improve over FY24-26**



Source: Company, MOFSL

**Exhibit 8: Significant investment in capacity expansion**



Source: Company, MOFSL

## Financials and valuation

Income Statement								(INRm)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Total Income from Operations</b>	<b>14,558</b>	<b>15,004</b>	<b>14,467</b>	<b>21,666</b>	<b>26,943</b>	<b>33,432</b>	<b>38,386</b>	<b>43,415</b>
Change (%)		3.1	-3.6	49.8	24.4	24.1	14.8	13.1
<b>EBITDA</b>	<b>1,857</b>	<b>1,977</b>	<b>1,977</b>	<b>4,539</b>	<b>6,197</b>	<b>8,592</b>	<b>10,403</b>	<b>11,809</b>
Margin (%)	12.8	13.2	13.7	20.9	23.0	25.7	27.1	27.2
Depreciation	1,016	1,150	1,232	1,297	1,575	1,935	2,050	2,245
<b>EBIT</b>	<b>841</b>	<b>827</b>	<b>745</b>	<b>3,242</b>	<b>4,622</b>	<b>6,657</b>	<b>8,352</b>	<b>9,564</b>
Int. and Finance Charges	331	515	672	795	779	701	485	335
Other Income	502	438	314	392	649	936	998	1,129
<b>PBT bef. EO Exp.</b>	<b>1,013</b>	<b>750</b>	<b>387</b>	<b>2,839</b>	<b>4,492</b>	<b>6,892</b>	<b>8,865</b>	<b>10,357</b>
EO Items	-180	-111	-63	-33	0	0	0	0
<b>PBT after EO Exp.</b>	<b>832</b>	<b>639</b>	<b>325</b>	<b>2,806</b>	<b>4,492</b>	<b>6,892</b>	<b>8,865</b>	<b>10,357</b>
Total Tax	319	275	37	844	1,231	1,889	2,430	2,839
Tax Rate (%)	38.4	43.1	11.3	30.1	27.4	27.4	27.4	27.4
Minority Interest	0	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>513</b>	<b>363</b>	<b>288</b>	<b>1,962</b>	<b>3,261</b>	<b>5,003</b>	<b>6,435</b>	<b>7,518</b>
<b>Adjusted PAT</b>	<b>693</b>	<b>475</b>	<b>351</b>	<b>1,995</b>	<b>3,261</b>	<b>5,003</b>	<b>6,435</b>	<b>7,518</b>
Change (%)		-31.5	-26.1	469.0	63.4	53.4	28.6	16.8
Margin (%)	4.8	3.2	2.4	9.2	12.1	15.0	16.8	17.3

E: MOFSL est.

Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	491	493	496	506	536	536	536	536
Other equity	12,464	13,002	13,328	15,654	23,746	27,867	33,168	39,361
<b>Net Worth</b>	<b>12,955</b>	<b>13,495</b>	<b>13,823</b>	<b>16,160</b>	<b>24,282</b>	<b>28,403</b>	<b>33,704</b>	<b>39,897</b>
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	8,075	9,289	9,314	11,089	11,220	7,470	5,470	3,470
Deferred Tax Liabilities	286	81	0	0	0	0	0	0
Other Non-Current Liabilities	333	385	426	713	468	581	667	754
<b>Capital Employed</b>	<b>21,649</b>	<b>23,250</b>	<b>23,563</b>	<b>27,963</b>	<b>35,970</b>	<b>36,454</b>	<b>39,841</b>	<b>44,121</b>
Gross Block	11,829	17,488	17,907	20,828	25,087	28,671	34,421	40,421
Less: Accum. Deprn.	3,230	4,198	5,239	6,381	7,956	9,891	11,942	14,187
<b>Net Fixed Assets</b>	<b>8,600</b>	<b>13,290</b>	<b>12,667</b>	<b>14,447</b>	<b>17,131</b>	<b>18,779</b>	<b>22,479</b>	<b>26,234</b>
Goodwill on Consolidation	3,337	3,741	3,489	3,311	3,371	3,371	3,371	3,371
Capital WIP	6,663	3,817	4,638	4,393	3,270	3,270	3,270	3,270
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Other Non-Current Assets	811	1,029	1,124	1,186	1,593	1,977	2,270	2,567
<b>Curr. Assets, Loans &amp; Adv.</b>	<b>4,886</b>	<b>4,786</b>	<b>5,021</b>	<b>8,117</b>	<b>15,795</b>	<b>15,412</b>	<b>15,698</b>	<b>16,871</b>
Inventory	233	385	398	534	604	527	486	550
Account Receivables	1,642	1,492	1,336	1,802	1,942	2,410	2,767	3,129
Cash and Bank Balance	2,665	2,501	2,893	5,118	7,672	6,865	6,808	7,529
Loans and Advances	347	408	394	663	5,577	5,611	5,637	5,663
<b>Curr. Liability &amp; Prov.</b>	<b>2,647</b>	<b>3,412</b>	<b>3,378</b>	<b>3,493</b>	<b>5,190</b>	<b>6,355</b>	<b>7,247</b>	<b>8,192</b>
Account Payables	1,265	1,307	1,316	1,343	1,947	2,331	2,626	2,966
Other Current Liabilities	1,270	1,916	1,785	1,956	2,445	3,034	3,483	3,940
Provisions	112	189	277	193	798	990	1,137	1,286
<b>Net Current Assets</b>	<b>2,239</b>	<b>1,374</b>	<b>1,644</b>	<b>4,625</b>	<b>10,605</b>	<b>9,057</b>	<b>8,451</b>	<b>8,680</b>
<b>Appl. of Funds</b>	<b>21,649</b>	<b>23,250</b>	<b>23,563</b>	<b>27,963</b>	<b>35,970</b>	<b>36,454</b>	<b>39,841</b>	<b>44,122</b>

E: MOFSL Estimates

## Financials and valuation

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>2.8</b>	<b>1.9</b>	<b>1.4</b>	<b>7.9</b>	<b>12.1</b>	<b>18.6</b>	<b>24.0</b>	<b>28.0</b>
Cash EPS	6.8	6.5	6.3	13.0	18.0	25.8	31.6	36.4
BV/Share	51.5	53.6	54.8	64.0	90.4	105.8	125.5	148.6
DPS	0.0	0.0	0.0	0.0	0.0	2.8	3.6	4.2
Payout (%)	0.0	0.0	0.0	0.0	0.0	17.6	17.6	17.6
<b>Valuation (x)</b>								
P/E	461.9	674.7	915.1	161.1	104.8	68.3	53.1	45.5
Cash P/E	187.3	197.1	202.7	97.6	70.7	49.3	40.3	35.0
P/BV	24.7	23.7	23.2	19.9	14.1	12.0	10.1	8.6
EV/Sales	22.4	21.8	22.6	15.1	12.8	10.2	8.9	7.8
EV/EBITDA	175.3	165.4	165.6	72.1	55.7	39.9	32.7	28.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.2	0.3	0.3
FCF per share	-5.3	-0.5	4.0	1.5	15.2	11.8	9.6	12.1
<b>Return Ratios (%)</b>								
RoE	5.4	3.6	2.6	13.3	16.1	19.0	20.7	20.4
RoCE	7.9	3.3	4.1	10.1	12.2	15.4	18.1	18.8
RoIC	8.4	3.2	4.0	13.1	15.4	16.7	19.1	19.4
<b>Working Capital Ratios</b>								
Asset Turnover (x)	0.7	0.6	0.6	0.8	0.7	0.9	1.0	1.0
Inventory (Days)	6	8	10	8	8	6	5	4
Debtor (Days)	41	36	34	30	26	26	26	26
Creditor (Days)	32	32	33	23	26	25	25	25
<b>Leverage Ratio (x)</b>								
Current Ratio	1.8	1.4	1.5	2.3	3.0	2.4	2.2	2.1
Interest Cover Ratio	2.5	1.6	1.1	4.1	5.9	9.5	17.2	28.5
Net Debt/Equity	0.4	0.5	0.5	0.4	0.1	0.0	0.0	-0.1
Net Debt/EBITDA	2.7	3.2	3.0	1.2	-0.3	-0.6	-0.7	-0.8

### Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>(INR m)</b>								
<b>OP/(Loss) before Tax</b>	<b>833</b>	<b>639</b>	<b>325</b>	<b>2,806</b>	<b>4,492</b>	<b>6,892</b>	<b>8,865</b>	<b>10,357</b>
Depreciation	883	1,150	1,232	1,297	1,499	1,935	2,050	2,245
Interest & Finance Charges	331	515	672	795	779	701	485	335
Direct Taxes Paid	-675	-562	-164	-980	-1,061	-1,889	-2,430	-2,839
(Inc)/Dec in WC	29	21	366	-668	1,028	470	342	283
<b>CF from Operations</b>	<b>1,400</b>	<b>1,764</b>	<b>2,431</b>	<b>3,250</b>	<b>6,737</b>	<b>8,109</b>	<b>9,313</b>	<b>10,382</b>
Others	255	-13	-13	-137	-292	-936	-998	-1,129
<b>CF from Operating incl EO</b>	<b>1,656</b>	<b>1,751</b>	<b>2,418</b>	<b>3,113</b>	<b>6,445</b>	<b>7,173</b>	<b>8,315</b>	<b>9,253</b>
(Inc)/Dec in FA	-2,986	-1,877	-1,419	-2,731	-2,352	-4,000	-5,750	-6,000
<b>Free Cash Flow</b>	<b>-1,331</b>	<b>-127</b>	<b>998</b>	<b>382</b>	<b>4,093</b>	<b>3,173</b>	<b>2,565</b>	<b>3,253</b>
(Pur)/Sale of Investments								
Others	499	1,007	-972	-1,478	-1,071	1,352	998	1,129
<b>CF from Investments</b>	<b>-2,488</b>	<b>-871</b>	<b>-2,392</b>	<b>-4,209</b>	<b>-3,423</b>	<b>-2,648</b>	<b>-4,752</b>	<b>-4,871</b>
Inc/(Dec) in Debt	1,643	940	-30	2,152	-275	-3,750	-2,000	-2,000
Interest Paid	-679	-951	-779	-936	-1,054	-701	-485	-335
Others	6	2	2	380	4,785	-882	-1,134	-1,325
<b>CF from Fin. Activity</b>	<b>970</b>	<b>-9</b>	<b>-807</b>	<b>1,596</b>	<b>3,456</b>	<b>-5,333</b>	<b>-3,619</b>	<b>-3,660</b>
<b>Inc/Dec of Cash</b>	<b>138</b>	<b>871</b>	<b>-781</b>	<b>500</b>	<b>6,478</b>	<b>-808</b>	<b>-56</b>	<b>721</b>
Opening Balance	466	605	1,476	695	1,194	7,672	6,865	6,808
<b>Closing Balance</b>	<b>605</b>	<b>1,476</b>	<b>695</b>	<b>1,194</b>	<b>7,672</b>	<b>6,865</b>	<b>6,808</b>	<b>7,529</b>
FX and others	2,060	16	642	608	0	0	0	0
<b>Total Cash &amp; Cash Eq</b>	<b>2,665</b>	<b>1,492</b>	<b>1,336</b>	<b>1,802</b>	<b>7,672</b>	<b>6,865</b>	<b>6,808</b>	<b>7,529</b>

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Explanation of Investment Rating	
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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

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