

Global Health

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR1460 **TP: INR1,620 (+15%)** **Buy**

Mature hospitals drive YoY earnings growth

Indore back on track/Noida to commence operations in 4QFY25/1QFY26

Bloomberg	MEDANTA IN
Equity Shares (m)	269
M.Cap.(INRb)/(USDb)	377 / 4.5
52-Week Range (INR)	1514 / 548
1, 6, 12 Rel. Per (%)	0/42/126
12M Avg Val (INR M)	466

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	32.8	35.8	40.3
EBITDA	8.3	9.8	11.3
Adj. PAT	4.8	6.0	7.1
EBIT Margin (%)	19.1	21.9	22.5
Cons. Adj. EPS (INR)	17.8	22.2	26.3
EPS Gr. (%)	46.7	24.9	18.4
BV/Sh. (INR)	108.2	126.5	148.2

Ratios

Net D:E	0.1	0.1	0.0
RoE (%)	17.9	19.0	19.2
RoCE (%)	14.7	16.5	17.5
Payout (%)	17.6	17.6	17.6

Valuations

P/E (x)	78.9	63.2	53.3
EV/EBITDA (x)	46.0	38.6	33.4
EV/Sales (x)	11.6	10.6	9.4
Div. Yield (%)	0.2	0.2	0.3
FCF Yield (%)	0.9	0.6	0.7
EV/Sales (x)	11.6	10.6	9.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	33.0	33.1	33.1
DII	10.3	11.2	12.4
FII	12.1	11.4	9.9
Others	44.6	44.4	44.7

FII Includes depository receipts

- Global Health (MEDANTA) missed our earnings estimate for 4QFY24, largely due to subdued performance at Lucknow hospital. This was partly offset by improved occupancy/superior margins in mature hospitals segment.
- We cut our earnings estimates by 7%/6% for FY25/FY26 to factor in a gradual pickup in utilization of beds in developing hospitals, higher opex for bed additions, and reduced operating leverage. We value MEDANTA at 35x 12M forward EV/EBITDA to arrive at a TP of INR1,620.
- MEDANTA has delivered a four-year CAGR of 17%/33%/59% in revenue/EBITDA/PAT over FY20-24. It ended FY24 with 25% YoY earnings growth. MEDANTA continues to add beds at existing sites (Lucknow/Patna/Gurgaon) as well as new sites (Noida/Indore/South Delhi). Earnings growth is largely driven by an increasing number of patients seeking treatment and a moderate increase in realization per patient. This provides robust visibility for earnings growth (22% CAGR over FY24-26). Hence, we maintain BUY.

Increased patients/slight uptick in ARPOB led YoY EBITDA growth

- In 4QFY24, sales grew 15% YoY to INR8.1b. (vs our est. INR8.6b). ARPOB grew by 3.6% YoY to INR63k. In-patient (IPD)/out-patient (OPD) volume grew 10%/11.4% YoY for the quarter.
- EBITDA margin declined by 40bp YoY to 23.6%. EBITDA grew 13% YoY to INR1.9b (vs our est. INR2.3b).
- Mature hospitals revenue (68% of total revenue) grew 15% YoY to INR6.1b. EBITDA was INR1.5b with 60bp YoY margin expansion to 25.3%.
- Developing hospitals revenue (32% of total revenue) grew 11.9% YoY to INR2.3b. EBITDA was INR623m with 350bp YoY margins contraction to 27.5%.
- PAT grew 26% YoY to INR1.3b.
- During FY24, revenue/EBITDA/PAT grew by 21%/31%/47% YoY to INR32.7b/INR8.3b/INR4.8b.

Highlights from the management commentary

- MEDANTA would incur capex of INR10-12b over the next 2-3 years for the addition of 1,650 beds.
- About 95% of the construction at Noida is completed and the hospital is expected to start operations of 300 beds in 4QFY25/1QFY26.
- Two additional ICUs (56 beds), dialysis extension (23 beds) and chemo daycare (17 beds) would be added in the Patna hospital in 1HFY25.
- 47 ward beds are expected to be added in Lucknow in 1QFY25.
- A mother-and-child care unit started a couple of weeks ago and its effect of same would reflect in 1QFY25 for the Gurugram hospital.
- The green field hospital has got legal clearance in Indore (bed capacity: 300).

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Consolidated - Quarterly Earning Model												(INR m)
Y/E March	FY23				FY24				FY23	FY24	FY24E	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Gross Sales	6,172	6,791	6,943	7,071	7,730	8,439	8,365	8,086	27,099	32,751	8,610	-6.1%
YoY Change (%)	27.1	17.6	19.1	14.6	25.2	24.3	20.5	14.4	25.1	21.6	22.4	
Total Expenditure	4,843	5,211	5,316	5,375	5,887	6,255	6,150	6,175	20,746	24,467	6,306	
EBITDA	1,329	1,580	1,627	1,696	1,843	2,185	2,215	1,911	6,352	8,284	2,304	-17.0%
YoY Change (%)	31.2	15.3	18.4	27.6	38.7	38.3	36.1	12.7	40.0	33.7	38.9	
Margins (%)	21.5	23.3	23.4	24.0	23.8	25.9	26.5	23.6	23.4	25.3	26.8	
Depreciation	366	385	414	408	468	485	495	572	1,575	2,020	487	
Interest	185	182	207	205	179	201	177	182	779	739	144	
Other Income	93	155	119	248	215	208	181	274	493	747	286	
PBT before EO expense	871	1,168	1,125	1,331	1,410	1,707	1,724	1,431	4,491	6,271	1,958	-26.9%
Extra-Ord expense/(Income)	0	0	0	0	0	0	0	0	0	0	0	
PBT	871	1,168	1,125	1,331	1,410	1,707	1,724	1,431	4,491	6,271	1,958	-26.9%
Tax	284	311	319	320	390	455	488	157	1,490	1,490	531	
Rate (%)	32.6	26.6	28.4	24.0	27.7	26.6	28.3	11.0	33.2	23.8	27.1	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	587	857	806	1,011	1,020	1,252	1,235	1,273	3,000	4,781	1,427	-10.8%
Adj PAT	587	857	806	1,011	1,020	1,252	1,235	1,273	3,000	4,781	1,427	-10.8%
YoY Change (%)	40.6	28.0	15.1	72.2	73.8	46.1	53.3	26.0	52.9	46.6	41.2	
Margins (%)	9.5	12.6	11.6	14.3	13.2	14.8	14.8	15.7	11.1	14.6	16.6	

E: MOFSL Estimates, Note: Sum of 4 quarter does not match with full year as the company has restated its number



Highlights from the management commentary

- In FY24, IPD/OPD volume increased by 18%/15% YoY. The company expects the growth in FY25 and subsequent years to be led by an increase in IPD and OPD volume.
- 4QFY24 was subdued for the Lucknow hospital due to weak seasonality, severe winter in Jan'24 and a fewer number of dengue patients during the quarter.
- The hiring of senior clinical talent at the corporate level would increase costs.
- MEDANTA would apply for patient enrolment under the Ayushman Bharat Scheme for utilizing additional beds in Lucknow.
- During FY24, 126 new beds were added (up 4.7% YoY), with 98 in Lucknow and 28 in the Patna hospital.
- During the year, the overall payor mix remained stable YoY.
- PPP patient flow started in Sept'23 and Medanta Patna served over 500 patients during FY24.

Other operational highlights for 4QFY24

- In FY24, ARPOB grew by 4.7% YoY to INR61.9k.
- Mature hospitals revenue (71% of total sales) grew 14.8% YoY to INR23.2b. EBITDA was INR6b for the year with 220bp margins expansion YoY to 25.2%.
- Developing hospitals revenue (29% of total sales) grew 34% YoY to INR9.9b. EBITDA was INR3.2b for the year with margins expansion of 310bp YoY to 32.2%.
- International patients revenue increased by 24% to INR1.9b, driven by increased volume in international patient admissions and higher realizations for FY24.
- Overall in-patient count increased by 15% YoY and out-patient count increased by 18% YoY in FY24.
- OPD Pharmacy business registered revenue growth of 32% YoY to INR1.1b in FY24.

Key exhibits

Exhibit 1: Revenue for hospitals grew 15% YoY in 4QFY24

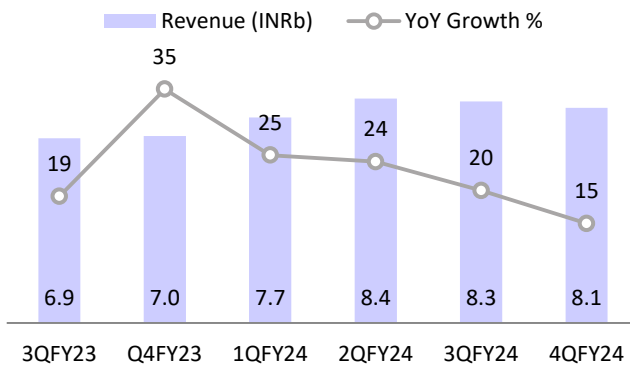
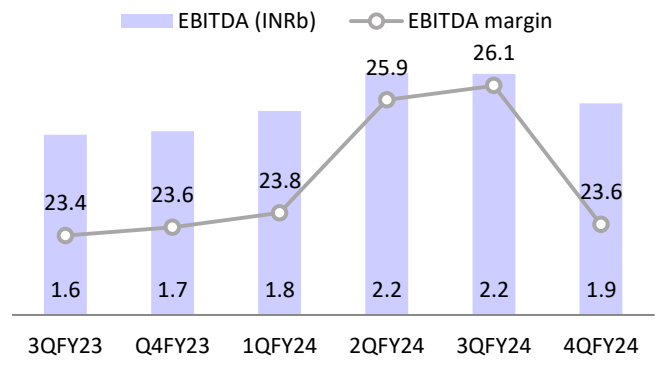


Exhibit 2: EBITDA margin declined 40bp in 4QFY24



New technologies, bed additions to keep superior prospects intact

Working on multiple levers to increase the number of patients under treatment

- In FY24, revenue from mature hospitals grew 15% YoY to INR23.2b and revenue from developing hospitals grew 34% YoY to INR10b. Revenue growth was driven by higher patient volumes in all facilities, increased occupancy, and technology advancements.
- MEDANTA aims to enhance profitability by augmenting patient volume through the addition of new medical indications, expanding capacity, and leveraging technological advancements.
- The increase in penetration of insurance in the country will continue to provide demand tailwinds for better healthcare services.
- Further, MEDANTA plans to get into the Ayushman Bharat scheme for cardiac sciences, which would further boost occupancy in Lucknow. New capacities, which have come online in Gurugram and Patna hospital, will further drive growth in the medium term.
- We expect an 11% sales CAGR in healthcare services to INR40.5b over FY24-26.

Enhancing efforts to build capabilities and capacities

- MEDANTA has 2,823 beds installed at the end of FY24. It 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 47 beds at Lucknow, 56 beds at Patna, and 300 beds at Noida by the end of FY25.
- The company has received approval from the MP High Court to start the construction of its greenfield project at Indore for 300 beds.
- Further, the company has upgraded its capabilities by using 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 in Delhi.
- The 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.

Valuation and view

- We cut our earnings estimates by 7%/6% for FY25/FY26 to factor in a gradual pickup in utilization of beds in developing hospitals, higher opex for additional beds, and reduced operating leverage. We value MEDANTA at 35x 12M forward EV/EBITDA to arrive at a TP of INR1,620.
- MEDANTA has delivered a four-year CAGR of 17%/33%/59% in revenue/EBITDA/PAT over FY20-24. Specifically, it ended FY24 with 25% YoY earnings growth. MEDANTA continues to add beds at existing sites (Lucknow/Patna/Gurgaon) as well as new sites (Noida/Indore, South Delhi). Earnings growth is largely driven by an increasing number of patients seeking treatment and a moderate increase in realization per patient. This provides robust visibility for earnings growth (22% CAGR over FY24-26). Hence, we maintain BUY.

Story in charts

Exhibit 3: Expect 18% sales CAGR over FY24-26 in Developing hospitals

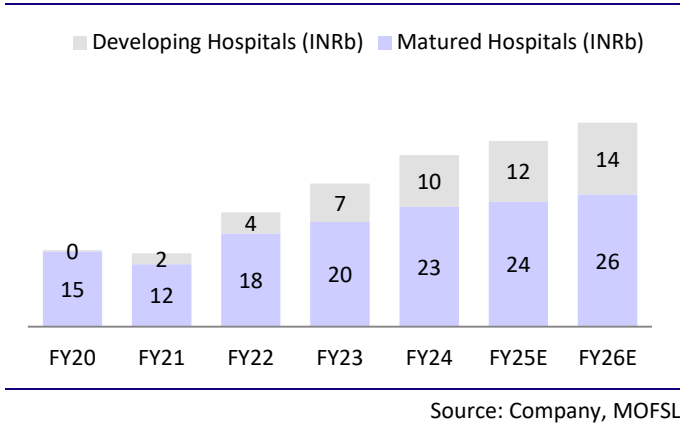


Exhibit 4: Expect 11% overall revenue CAGR over FY24-26

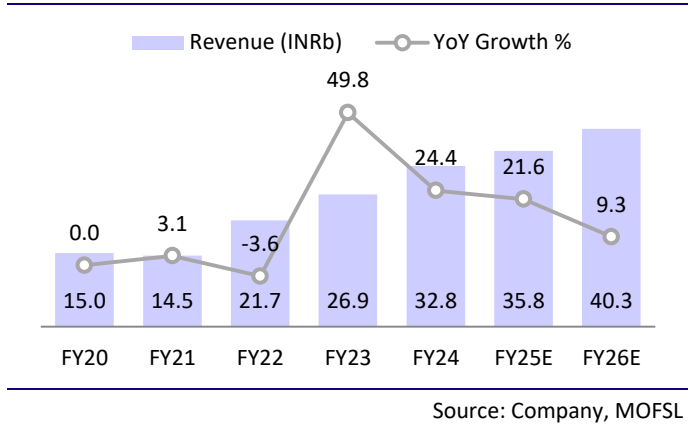


Exhibit 5: Expect 270bp margin expansion over FY24-26

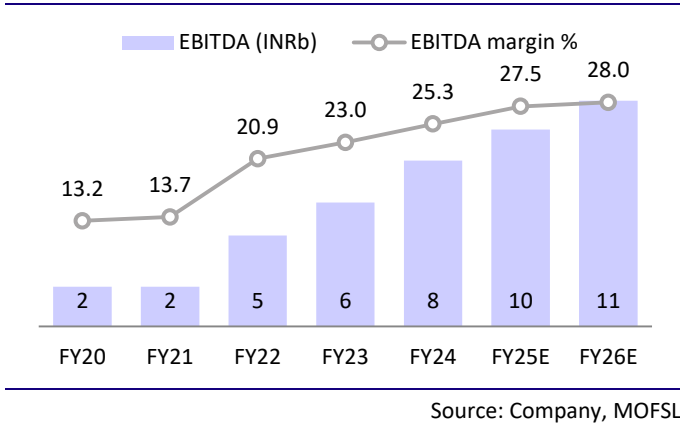


Exhibit 6: Expect 22% profit growth over FY24-26

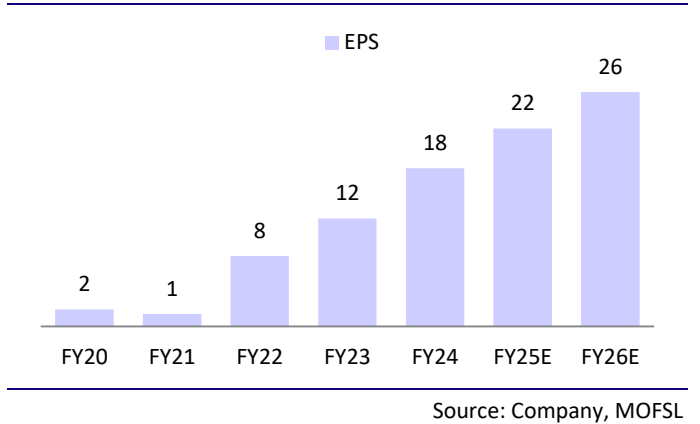


Exhibit 7: Expect return ratio to improve over FY24-26

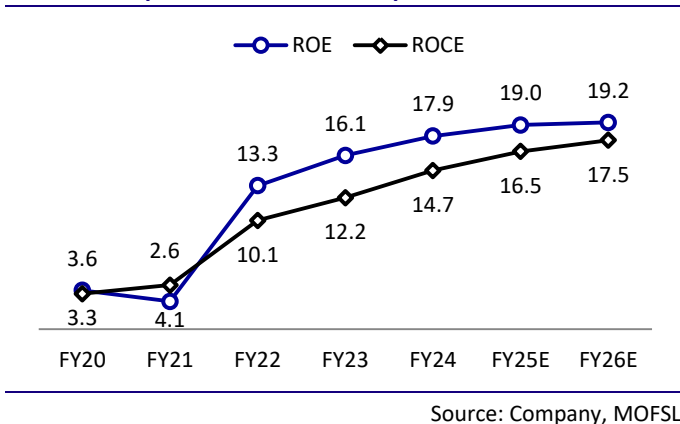
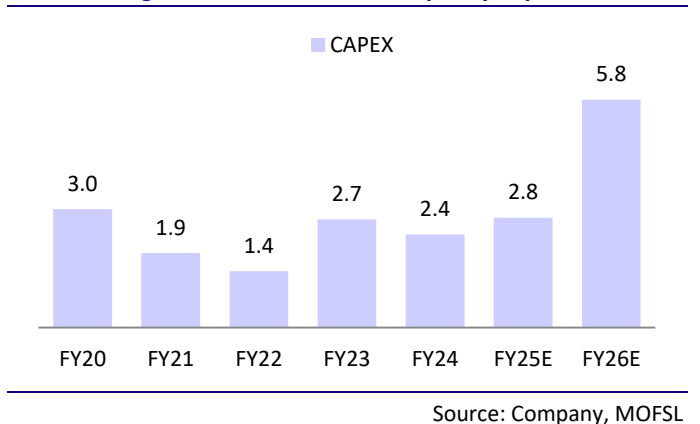


Exhibit 8: Significant investment in capacity expansion



Financials and valuation

Global Health Ltd. - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	14,558	15,004	14,467	21,666	27,099	32,751	35,787	40,317
Change (%)		3.1	-3.6	49.8	25.1	20.9	9.3	12.7
EBITDA	1,857	1,977	1,977	4,539	6,352	8,284	9,841	11,289
Margin (%)	12.8	13.2	13.7	20.9	23.4	25.3	27.5	28.0
Depreciation	1,016	1,150	1,232	1,297	1,575	2,020	2,017	2,214
EBIT	841	827	745	3,242	4,777	6,263	7,825	9,075
Int. and Finance Charges	331	515	672	795	779	739	526	376
Other Income	502	438	314	392	493	747	930	1,048
PBT bef. EO Exp.	1,013	750	387	2,839	4,491	6,271	8,229	9,747
EO Items	-180	-111	-63	-33	0	0	0	0
PBT after EO Exp.	832	639	325	2,806	4,491	6,271	8,229	9,747
Total Tax	319	275	37	844	1,232	1,490	2,256	2,672
Tax Rate (%)	38.4	43.1	11.3	30.1	27.4	23.8	27.4	27.4
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	513	363	288	1,962	3,259	4,781	5,973	7,075
Adjusted PAT	693	475	351	1,995	3,259	4,781	5,973	7,075
Change (%)		-31.5	-26.1	469.0	63.3	46.7	24.9	18.4
Margin (%)	4.8	3.2	2.4	9.2	12.0	14.6	16.7	17.5

E: MOFSL est.

Global Health Ltd. - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Share Capital	491	493	496	506	536	537	537	537
Other equity	12,464	13,002	13,328	15,654	23,746	28,519	33,440	39,268
Net Worth	12,955	13,495	13,823	16,160	24,282	29,056	33,977	39,805
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	8,075	9,289	9,314	11,089	11,220	8,019	6,019	4,019
Deferred Tax Liabilities	286	81	0	0	0	0	0	0
Other Non-Current Liabilities	333	385	426	713	468	399	436	491
Capital Employed	21,649	23,250	23,563	27,963	35,970	37,474	40,432	44,315
Gross Block	11,829	17,488	17,907	20,828	25,087	28,149	33,899	39,899
Less: Accum. Deprn.	3,230	4,198	5,239	6,381	7,956	9,976	11,993	14,207
Net Fixed Assets	8,600	13,290	12,667	14,447	17,131	18,172	21,906	25,692
Goodwill on Consolidation	3,337	3,741	3,489	3,311	3,371	4,187	4,187	4,187
Capital WIP	6,663	3,817	4,638	4,393	3,270	3,875	3,875	3,875
Total Investments	0	0	1	1	1	1	1	1
Other Non-Current Assets	811	1,029	1,124	1,186	1,593	1,718	1,878	2,115
Curr. Assets, Loans & Adv.	4,886	4,786	5,021	8,117	15,795	15,087	14,608	15,214
Inventory	233	385	398	534	604	669	453	510
Account Receivables	1,642	1,492	1,336	1,802	1,942	2,153	2,353	2,651
Cash and Bank Balance	2,665	2,501	2,893	5,118	7,672	4,246	3,767	3,995
Loans and Advances	347	408	394	663	5,577	8,020	8,035	8,059
Curr. Liability & Prov.	2,647	3,412	3,378	3,493	5,190	5,567	6,023	6,770
Account Payables	1,265	1,307	1,316	1,343	1,947	1,868	1,981	2,216
Other Current Liabilities	1,270	1,916	1,785	1,956	2,445	2,757	3,013	3,394
Provisions	112	189	277	193	798	942	1,030	1,160
Net Current Assets	2,239	1,374	1,644	4,625	10,605	9,520	8,585	8,444
Appl. of Funds	21,649	23,250	23,563	27,963	35,970	37,474	40,431	44,314

E: MOFSL Estimates

Financials and valuation

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	2.8	1.9	1.4	7.9	12.1	17.8	22.2	26.3
Cash EPS	6.8	6.5	6.3	13.0	18.0	25.3	29.8	34.6
BV/Share	51.5	53.6	54.8	64.0	90.4	108.2	126.5	148.2
DPS	0.0	0.0	0.0	0.0	0.0	2.7	3.3	4.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	17.6	17.6	17.6
Valuation (x)								
P/E	509.8	744.6	1,010.0	177.8	115.8	78.9	63.2	53.3
Cash P/E	206.8	217.5	223.7	107.8	78.0	55.5	47.2	40.6
P/BV	27.3	26.2	25.6	22.0	15.5	13.0	11.1	9.5
EV/Sales	24.6	24.0	24.9	16.7	14.1	11.6	10.6	9.4
EV/EBITDA	193.2	182.2	182.4	79.5	60.0	46.0	38.6	33.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.3
FCF per share	-5.3	-0.5	4.0	1.5	15.2	12.5	8.1	10.4
Return Ratios (%)								
RoE	5.4	3.6	2.6	13.3	16.1	17.9	19.0	19.2
RoCE	7.9	3.3	4.1	10.1	12.2	14.7	16.5	17.5
RoIC	8.4	3.2	4.0	13.1	15.9	15.6	16.2	16.8
Working Capital Ratios								
Asset Turnover (x)	0.7	0.6	0.6	0.8	0.8	0.9	0.9	0.9
Inventory (Days)	6	8	10	8	8	7	6	4
Debtor (Days)	41	36	34	30	26	24	24	24
Creditor (Days)	32	32	33	23	26	21	20	20
Leverage Ratio (x)								
Current Ratio	1.8	1.4	1.5	2.3	3.0	2.7	2.4	2.2
Interest Cover Ratio	2.5	1.6	1.1	4.1	6.1	8.5	14.9	24.1
Net Debt/Equity	0.4	0.5	0.5	0.4	0.1	0.1	0.1	0.0
Net Debt/EBITDA	2.7	3.2	3.0	1.2	-0.3	-0.5	-0.6	-0.7

Global Health Ltd. - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	833	639	325	2,806	4,492	6,271	8,229	9,747
Depreciation	883	1,150	1,232	1,297	1,499	1,727	2,017	2,214
Interest & Finance Charges	331	515	672	795	779	739	526	376
Direct Taxes Paid	-675	-562	-164	-980	-1,061	-1,775	-2,256	-2,672
(Inc)/Dec in WC	29	21	366	-668	1,028	-531	334	186
CF from Operations	1,400	1,764	2,431	3,250	6,737	6,431	8,850	9,851
Others	255	-13	-13	-137	-292	-311	-930	-1,048
CF from Operating incl EO	1,656	1,751	2,418	3,113	6,445	6,121	7,920	8,803
(Inc)/Dec in FA	-2,986	-1,877	-1,419	-2,731	-2,352	-2,772	-5,750	-6,000
Free Cash Flow	-1,331	-127	998	382	4,093	3,349	2,170	2,803
(Pur)/Sale of Investments								
Others	499	1,007	-972	-1,478	-1,071	-1,636	930	1,048
CF from Investments	-2,488	-871	-2,392	-4,209	-3,423	-4,408	-4,820	-4,952
Inc/(Dec) in Debt	1,643	940	-30	2,152	-275	-4,586	-2,000	-2,000
Interest Paid	-679	-951	-779	-936	-1,054	-553	-526	-376
Others	6	2	2	380	4,785	0	-1,053	-1,247
CF from Fin. Activity	970	-9	-807	1,596	3,456	-5,139	-3,579	-3,623
Inc/Dec of Cash	138	871	-781	500	6,478	-3,426	-479	228
Opening Balance	466	605	1,476	695	1,194	7,672	4,246	3,767
Closing Balance	605	1,476	695	1,194	7,672	4,246	3,767	3,995
Total Cash & Cash Eq	2,665	1,492	1,336	1,802	7,672	4,246	3,767	3,995

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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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