India I Equities

Hospitals

Management Meet Update

Change in Estimates ☐ Target ☐ Reco ☐

25 June 2025

Indraprastha Medical Corp.

Re-rating hinges on Delhi govt. stake sale; maintaining it as top pick

Rating: **Buy**
Target price (12-mth): Rs.590
Share price: Rs 410

We recently hosted in Mumbai the Indraprastha Medical management for an NDR. Key takeaways: a) discussion with the Delhi government for a stake sale in progress; timelines not defined, b) capacity increase with 350 beds at existing location likely to commence by mid-CY28, c) plans for further capacity expansions in place; awaiting board approvals, d) next SC hearing on scrutiny regarding EWS slated for 30th Jul'25. The stock is our top Buy in the space with a Rs590 TP (16x FY27e EBITDA) as we believe the (part or entire) stake likely to be sold by the Delhi government in the medium term, which should result in a re-rating for the name-opening avenues for further growth at old and new locations.

Delhi government stake sale, key re-rating trigger. Interaction with the management suggested that the promoters are in discussions to buy part/entire stake from the Delhi government (which holds 26%). We believe that, if the transaction goes through (though timelines are uncertain), it would open larger avenues for growth in existing (the NCR) and newer regions.

350-bed addition, total at 1,150 by mid-CY28. In line with the industry's bed capacity expansion, Indraprastha is also expanding (currently 802 beds) at its present site in Sarita Vihar (Delhi), with 350 beds likely to commence by mid-CY28 at an estimated Rs5.8bn. ~40% of the project cost is likely to be incurred in FY26, the balance in FY27 and FY28. Capex/bed is higher for this site as the company is building two underground floors for parking (~1,300 cars, 350+ two-wheelers) for ~Rs1.8bn). The intent is to take bed capacity to ~1,800 at a single site, making it probably the biggest in bed capacity at a single site.

SC order to scrutinise EWS not likely to dent earnings. The Supreme Court, in Mar'25, ordered the Central and Delhi governments to send a joint team of experts to inspect the company's records of the last five years to find out if it fulfilled its commitment to provide free treatment to 30%/40% of in/outdoor patients. At our discussion, management said it has provided the necessary details and has pleaded to bring it down to 10%/25% IPD/OPD. It further said that, if this is through, there is a significant scope for margin betterment (due to a better payor mix). The next hearing is on 30th Jul'25.

Outlook, Valuation. Management aims to more than double bed capacity at the present site from 802 to 1,800+ (1st phase of 300-350 beds by mid-CY28). Further, with the new Government coming in Delhi should augur well for the company as it can expedite Delhi government's stake sale to the promoters (can be an option value). We broadly maintain our estimates for FY26/27e and BUY rating on the stock with an unchanged TP of Rs590 (16x FY27 EBITDA).

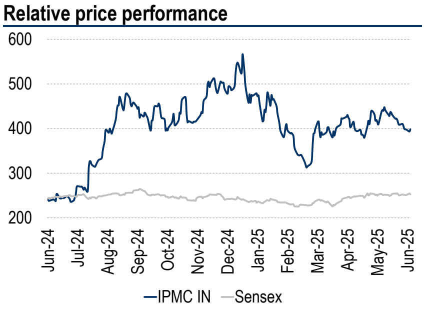
Key financials (YE Mar)	FY23	FY24	FY25	FY26e	FY27e
Sales (Rs m)	10,987	12,447	13,564	15,611	16,879
Net profit (Rs m)	862	1,240	1,609	1,936	1,953
EPS (Rs)	9.4	13.5	17.6	21.1	21.3
P/E (x)	43.6	30.3	23.4	19.4	19.2
EV / EBITDA (x)	24.1	18.3	14.1	11.5	10.7
P/BV (x)	9.9	7.9	6.3	4.8	3.8
RoE (%)	24.4	28.9	30.0	27.9	22.0
RoCE (%)	30.6	34.6	36.2	30.0	22.2
Dividend yield (%)	0.0	0.0	0.0	-	-
Net debt / equity (x)	-0.3	-0.5	-0.5	-0.4	-0.4

Source: Company, Anand Rathi Research

Key data	IPMC IN / IMCL.BO
52-week high / low	Rs.572 / 233
Sensex / Nifty	82,055/ 25,044
Market cap	Rs.37bn
Shares outstanding	92m

Shareholding pattern (%)	Mar'25	Dec'24	Sep'24
Promoters	51.0	51.0	51.0
- of which, Pledged	-	-	-
Free float	49.0	49.0	49.0
- Foreign institutions	2.9	2.9	2.6
- Domestic institutions	3.6	3.2	3.2
- Public	42.5	42.9	43.2

Relative price performance



Source: Bloomberg

Himanshu Binani
Research Analyst

Quick Glance – Financial and Valuations (consolidated)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Revenues	10,987	12,447	13,564	15,611	16,879
Growth (%)	*23.7*	*13.3*	*9.0*	*15.1*	*8.1*
Raw material	1,931	2,172	2,305	2,888	3,207
Employee & other expen.	7,549	8,342	8,816	10,288	11,309
EBITDA	**1,507**	**1,934**	**2,443**	**2,966**	**3,139**
EBITDA margins (%)	*13.7*	*15.5*	*18.0*	*19.0*	*18.6*
- Depreciation	393	401	443	553	723
Other income	100	169	226	275	344
Interest expense	43	41	63	100	150
PBT	1,172	1,661	2,162	2,588	2,610
Effective tax rates (%)	*26*	*25*	*26*	*25*	*25*
+ Associates / (Minorities)	-	-	-	-	-
Adj. income	862	1,240	1,609	1,936	1,953
Extraor. items (loss)/profit	-	-	-	-	-
Reported PAT	862	1,240	1,609	1,936	1,953
WANS	92	92	92	92	92
FDEPS (Rs)	9.4	13.5	17.6	21.1	21.3

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	917	917	917	917	917
Net worth	3,795	4,778	5,967	7,903	9,855
Debt	-	-	-	2,500	3,000
Minority interest	-	-	-	-	-
Long-term liablities	261	603	608	621	633
Deferred tax liability / (asset)	200	197	154	154	154
Capital employed	**4,255**	**5,578**	**6,729**	**11,177**	**13,642**
Net tangible assets	2,751	3,469	3,281	5,028	6,805
CWIP (tang. and intang.)	25	5	325	325	325
Investments (strategic)	-	-	-	-	-
Investments (financial)	-	-	-	-	-
Current assets (excl. C&CE)	1,488	1,514	1,693	2,056	2,200
Cash	1,288	2,244	3,218	5,945	6,905
Current liabilities	1,296	1,654	1,787	2,177	2,593
Working capital	192	-140	-94	-121	-392
Capital deployed	**4,255**	**5,578**	**6,729**	**11,177**	**13,642**

Fig 3 – Cashflow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
PBT	1,172	1,661	2,163	2,588	2,610
+ Non-cash items	397	411	474	653	873
Oper. profit before WC changes	1,569	2,073	2,637	3,241	3,483
- Incr./ (decr.) in WC	-67	-555	238	-39	-284
Others incl. taxes	191	626	831	927	1,002
Operating cash-flow	1,445	2,002	1,568	2,353	2,765
- Capex (tangible + intangible)	446	694	363	2,300	2,500
Free cash-flow	999	1,308	1,204	53	265
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	228	275	407	-	-
+ Equity raised	-	-	-	-	-
+ Debt raised	-	-	-	2,500	500
- Fin. investments	633	890	747	-275	-344
- Misc. items (CFI and CFF)	32	48	52	100	150
Net cash-flow	105	93	-1	2,728	959

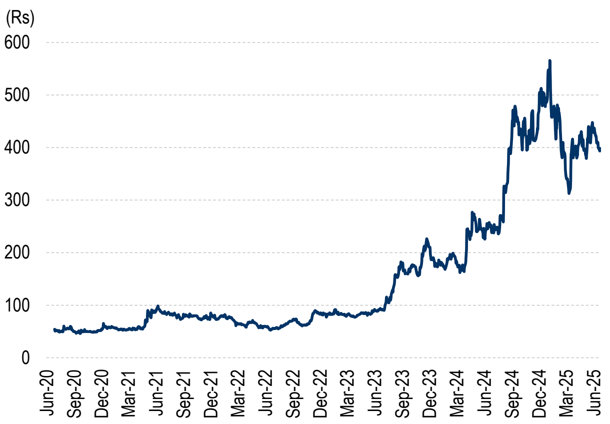
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	43.6	30.3	23.4	19.4	19.2
EV / EBITDA (x)	24.1	18.3	14.1	11.5	10.7
EV / Sales (x)	3.3	2.8	2.5	2.2	2.0
P/B (x)	9.9	7.9	6.3	4.8	3.8
RoE (%)	24.4	28.9	30.0	27.9	22.0
RoCE (%) - after tax	30.6	34.6	36.2	30.0	22.2
RoIC (%) - after tax	31.6	35.8	37.2	29.5	20.8
DPS (Rs)	0.0	0.0	0.0	-	-
Dividend yield (%)	0.0	0.0	0.0	-	-
Dividend payout (%)	0.3	0.4	0.3	-	-
Net debt / equity (x)	-0.3	-0.5	-0.5	-0.4	-0.4
Receivables (days)	19	19	18	21	24
Inventory (days)	17	13	11	12	17
Payables (days)	165	200	208	172	176
CFO : PAT (%)	168	161	97	122	142

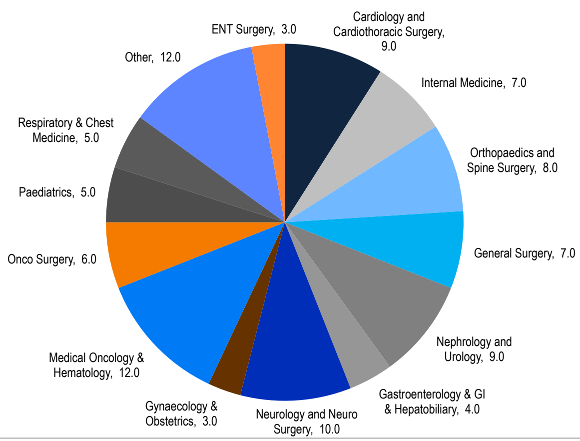
Source: Company, Anand Rathi Research

Fig 5 – Price movement



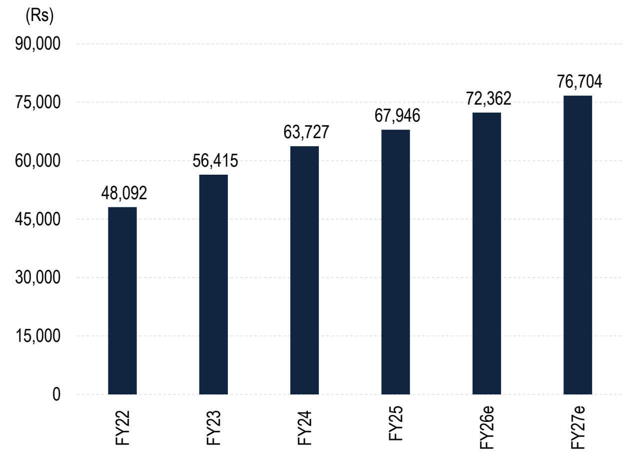
Source: Bloomberg

Fig 6 – Revenue segmented by specialty, Q4 FY25 (%)



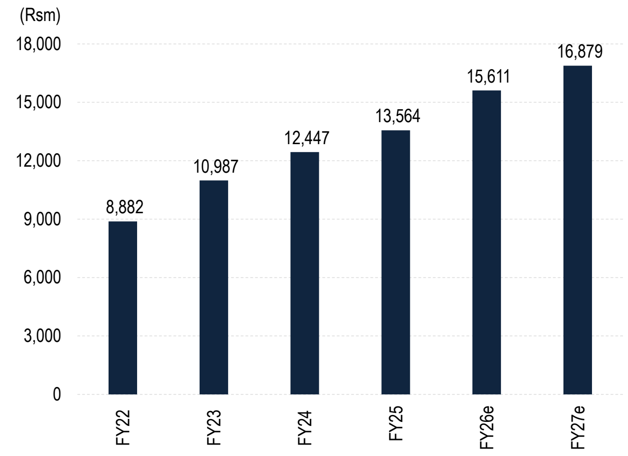
Source: Company

Fig 7 – ARPOB (Rs) to record a 6% CAGR over FY25-27…



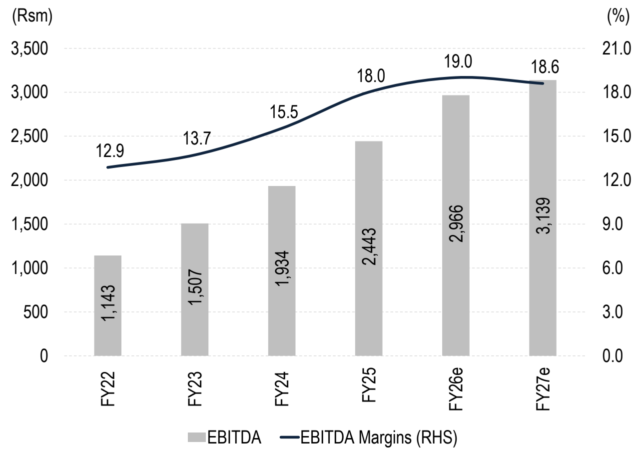
Source: Company, Anand Rathi Research

Fig 8 – …resulting in a 12% revenue CAGR…



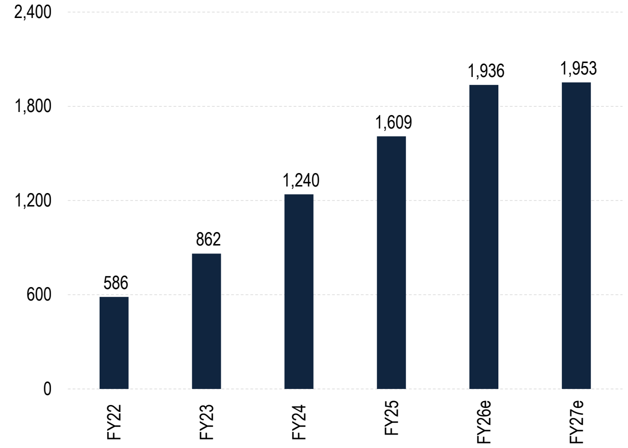
Source: Company, Anand Rathi Research

Fig 9 – …resulting in a 13% EBITDA CAGR



Source: Company, Anand Rathi Research

Fig 10 – PAT anticipated to rise to Rs1.95bn by FY27



Source: Company, Anand Rathi Research

Valuation

Management intends to more than double bed capacity at the present site from 802 now to +1,800 in the next few years (1st phase of ~350 beds by mid CY28). Further, with the new Government coming in Delhi post the recent elections should augur well for the company as it can expedite the Delhi government's stake sale to the promoters (could be an option value).

We expect 12/13/10% revenue/EBITDA/PAT CAGRs over FY25-27, aided by the scaling-up of occupancy at the present hospital.

We broadly maintain our FY26e/27e. At the CMP, the stock trades at 11x FY27e EBITDA, a steep discount to its peers because of it being a standalone facility and disbelief of stake sale from Delhi govt. We are of the view, however, that the (part or entire) stake would be sold by the Delhi government in the medium term, which should result in re-rating the stock as this would open up avenues for further growth at the present and future locations.

Furthermore, the company pleaded before the SC to bring down its EWS treatment obligation from 33% to 10% for in-patients and 40% to 25% for out-patients. If this is through, there is a significant scope for margin improvement (due to the better payor mix). Having said that, we maintain our Buy rating on the stock with an unchanged TP of Rs590 based on 16x FY27e EBITDA, and it remains our top pick in hospitals.

Fig 11 – Valuation

(Rs m)	FY27e
EBITDA	**3,139**
Target multiple (x)	16
EV	50,230
Less net debt	**-3,905**
Derived market cap	54,135
No. of shares (m)	92
Target price (Rs)	**590**
CMP (Rs)	410
Upside (%)	**44**

Source: Bloomberg, Anand Rathi Research

Risks

- Greater dependence on the present unit.
- Commissioning and ramping up of the new tower.
- Adverse ruling by the Court.
- Delay in executing projects; challenges in expanding to adjacent regions.
- A slower rate of beds added and inability to retain talent.
- Regulatory risks: price control, margin caps, mandatory bed allocations, etc.

Appendix

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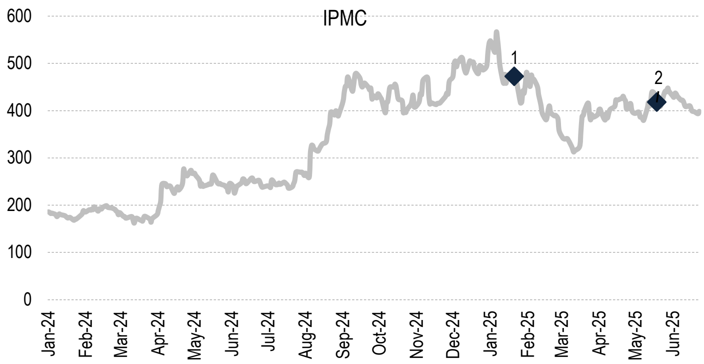

	Date	Rating	TP (Rs)	Share Price (Rs)
1	21-Jan-25	**Buy**	670	475
2	20-May-25	**Buy**	590	419

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