

Yatharth Hospital and Trauma Care Services Ltd

Strategic investments fuel strong positioning and growth momentum

Yatharth Hospitals reported a healthy revenue growth which was marginally below our estimates, while EBITDA was slightly below our expectations due to increased employee cost on recruiting leading doctors in the NCR region during Q2FY25. To strengthen its positioning and presence in key NCR region, company has recently acquired two hospitals one at Delhi and other at Faridabad. The company continues significant Capex investments, including robotics and advanced medical equipment across new hospitals. Yatharth's revenues has witnessed growth of 27% YoY to Rs 2.2 bn driven by higher occupancy (60%), a 11% YoY rise in ARPOB, and a 30% YoY increase in inpatient volume during Q2FY25. EBITDA grew by 20% YoY to Rs 546 Mn, with an EBITDA margin of 25.1%. Going forward, with addition of new beds and higher than normal employee cost pertaining to doctor appointment to impact the EBITDA margins and expected to stay around 25.5% going forward. Despite bed addition occupancy is expected to remain high. We have introduced FY27E estimates and expects ARPOB to grow at a CAGR of 6% from FY24 to FY27E, driven by an improved case mix and inpatient growth. The company is on track to achieve close to Rs. 10 Bn in revenue for the fiscal year, supported by ongoing expansions and improvements in operational efficiencies. We assign 20x EV/EBITDA on Sept'26E EBITDA and arrive at a target price of Rs 790 per share, translating into an upside of ~30% and hence, we maintain Buy rating on the stock.

Strong show for the quarter

- In Q2FY25, the company reported Rs. 2,178 Mn revenue, a 27% YoY increase, driven by occupancy improvements and a 11% rise in ARPOB. EBITDA grew by 20% YoY to Rs. 546 Mn, with 153bps dip in margin due to operational losses at new hospitals including doctor fees.
- The overall occupancy for the hospitals was at 60% increased by 300 bps YoY during the quarter. Occupancy levels for Noida, Greater Noida, Noida extension and Jhansi stood at 88%, 84%, 89% and 48% respectively in Q2FY25.
- Overall ARPOB for hospitals was (Rs. 30,641, growth of 11% YoY) and for hospitals in Noida, Greater Noida, Noida extension and Jhansi the ARPOB were at Rs 28,815 (growth of 13% YoY), Rs 33,827 (growth of 22% YoY), Rs 38,136 (growth of 17% YoY) and (Rs. 13,854 degrowth of 22%). This was primarily driven by addition of new treatments modalities and payor mix improvement whereas degrowth in Jhansi was due to inferior case mix which expects to improve gradually with empanelment with private Insurance and corporates.
- ALOS for the quarter decreased by 13% YoY to 4.3 days due to increased use of robotics.
- As of Sept 2024, debtor days was at 104 days. With increased revenue contribution from private insurance and corporate empanelment's via onboarding leading doctors and HODs from the industry will help in lowering Govt patient contribution to 25% over next 2 years.

Outlook and Valuation: Currently, the stock is trading at comforting valuation on Sept'26E EV/EBITDA of 14.3x. **Given Yatharth's significant growth opportunities in its local market and its pledge to increase revenue without sacrificing return ratios, there's a clear sign that the gap in valuation from peers is likely to wane in the coming times.** We value the stock at 20x Sept'26 EBITDA and arrive at target price of Rs. 790 per share which offers upside of ~30%. BUY.

Y/E Mar (Rs mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Q2FY25e	Var. (%)
Net sales	2,178	1,713	27.1	2,118	2.8	2,206	-1.3
Raw material	432	360	19.7	468	-7.8		
Employee expense	415	284	46.0	346	19.8		
Other expense	785	613	28.1	767	2.4		
EBITDA	546	456	19.8	537	1.8	556	-1.7
EBITDA Margin (%)	25.1%	26.6%	(153) bps	25.3%	(25) bps	25.2%	(11) bps
Depreciation	159	69	131.8	114	39.4		
Interest	16	29	-46.9	29	-46.4		
Other income	30	38	-22.2	37	-18.7		
Exceptional items	0	0	NA	0	NA		
PBT	401	396	1.3	430	-6.7		
Provision for tax	91	120	-23.6	126	-27.3		
Effective tax rate (%)	22.8	30.2	(743) bps	29.3	(647) bps		
Consolidated PAT	310	276	12.1	304	1.9	365	-15.2

Source: AceEquity, SMIFS Research

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	PAT (Adj)	YoY (%)	EPS (Adj)	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY23	5,203	29.8	1,338	25.7	658	48.9	10.0	43.9	19.7	NA	NA
FY24	6,705	28.9	1,799	26.8	1,145	74.1	13.3	21.7	17.2	29.2	17.8
FY25E	9,065	35.2	2,280	25.2	1,327	15.9	15.5	14.1	12.9	39.5	22.9
FY26E	11,548	27.4	2,930	25.4	1,658	25.0	19.3	15.2	13.4	31.6	18.0
FY27E	15,449	33.8	3,948	25.6	2,198	32.6	25.6	17.1	14.4	18.2	10.5

Source: Company, SMIFS research estimates



Rating: Buy **Return: 30%**
Current Price: 610 **Target Price: 790**

Earlier recommendation

Previous Rating: Buy
 Previous Target Price: 720

Market data

Bloomberg: YATHARTH:IN
 52-week H/L (Rs): 693 /360
 Mcap (Rs bn/USD bn): 52.3 /0.6
 Shares outstanding (mn): 86.0
 Free float: 33.3%
 Daily vol. (3M Avg.): 0.5 Mn
 Face Value (Rs): 10.0

Source: Bloomberg, SMIFS Research

Shareholding pattern (%)

	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	66.5	66.5	66.5	66.4
FIIs	6.2	4.9	3.9	2.5
DIIIs	6.9	9.4	9.3	8.8
Public/others		19.1	20.1	22.1

Pro. Pledging

Pledging: 0.0 0.0 0.0 0.1

Source: BSE

Price performance (%)*

	1M	3M	12M	Since IPO*
NIFTY 50	-3.4	0.1	24.2	23.2
NIFTY 500	-3.6	-0.2	31.2	33.6
YATHARTH	8.7	37.2	57.5	84.1

*as on 8th Nov 2024; Source: AceEquity, SMIFS Research

Since IPO Price Performance Chart



Source: NSE

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Q2FY25 – Key takeaways from the management call

New Acquisitions:

- Yatharth Hospitals has successfully acquired a leading super specialty hospital in Model Town, New Delhi, through an e-auction under the SARFAESI Act at an estimated cost of Rs.1.6 Bn. The facility, with a capacity of over 300 beds, offers a wide range of high-end services, and is set to serve a diverse clientele.
- Yatharth Hospital has acquired a majority stake in a new 400-bed hospital in Faridabad for Rs. 9 Bn, set to open next fiscal year. With an additional Rs. 1 Bn investment in advanced medical technologies, the facility will offer comprehensive oncology and robotic surgeries.

Specialty: Due to efforts on specialty mix improvement now oncology contributes 20% Noida extension and 11% to the groups to overall revenue. This shift increased ARPOB by 11% YoY.

Delhi Acquisition: Yatharth's Model Town hospital acquisition involves a total outlay of Rs.2.2 Bn, including Rs.1.6 Bn for the facility and Rs.600-700 Mn for infrastructure and medical upgradation. With a bed capacity of 150-175 (expandable to 300), it's set to open next fiscal year, aiming for an ARPOB of Rs. 40,000, similar to Yatharth Noida hospital.

Capex: Yatharth Hospital's brownfield expansion in Greater Noida and Noida Extension will add 200 and 250 beds, respectively, at a cost of Rs 60-70 lakh per bed, funded through internal accruals. The expansion is set to complete in 2-3 years, with work at Greater Noida already underway.

EBITDA margins: Company plan to sustain the EBITDA to 25-26% and Noida hospital margins is around 29% and overall matured hospital margins stood at 28-29%.

Payor mix: Government business dropped 4% QoQ and 6% YoY in H1 FY25. Yatharth plans to reduce it by 8% for the full year, with a long-term goal of lowering it to 25% over the next 2-2.5 years, while increasing cash and insurance segment.

Faridabad Hospital: The new Yatharth Hospital in Faridabad will begin with an ARPOB of Rs.38,000, similar to Noida Extension. This is expected to rise as the hospital introduces specialized services such as liver and bone transplants, positioning itself as a centre of excellence.

Jhansi Facility: The low growth in ARPOB for Q2 FY24 is due to no government empanelment last year Q2FY24, which led to a higher proportion of cash patients. Yatharth is expecting an ARPOB of Rs.15-20k from the Jhansi facility.

Noida Expansion and Greater Noida: Yatharth expects higher occupancy in both Noida Extension and Greater Noida hospitals, which will drive EBITDA margin growth. At the group level, this will offset the initial drag from the new hospitals.

Occupancy Growth: Occupancy declined by 1-2% due to a reduction in government business, offset by an increase in cash and insurance patients. Going forward, occupancy is expected to rise, driven by increased in the cash and insurance segments, contributing to ARPOB growth.

Depreciation: The company has made significant Capex investments, including robotics and advanced medical equipment across its hospitals, contributing to an increase in depreciation.

Quarterly financials, operating metrics and key performance indicators

Fig 1: Quarterly Financials

Y/E March (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	4QFY24	1QFY25	2QFY25
Net Sales	1,375	1,438	1,545	1,713	1,668	1,778	2,118	2,178
Raw Materials	228	257	281	360	315	375	468	432
Employee Costs	236	250	268	284	299	319	346	415
Other Expenditure	550	545	582	613	589	619	767	785
EBITDA	361	385	414	456	464	465	537	546
Other Income	8	7	8	38	54	57	37	30
Depreciation	69	83	69	69	79	77	114	159
EBIT	300	309	353	425	439	445	459	417
Interest	60	59	59	29	2	4	29	16
Exceptional items	0	0	0	0	0	0	0	0
PBT	240	249	294	396	438	441	430	401
Tax	28	76	103	120	143	58	126	91
Tax rate (%)	12	31	35	30	33	13	29	23
PAT before MI & Share of Asso	213	173	190	276	295	383	304	310
Minority Interest	0	0	0	0	0	0	0	0
Share of associate	0	0	0	0	0	0	0	0
Consolidated PAT	213	173	190	276	295	383	304	310
Adjusted PAT	213	173	190	276	295	383	304	310
YoY Growth (%)								
Revenue	NA	NA	39	34	21	24	37	27
EBITDA	NA	NA	61	36	29	21	30	20
Adj PAT	NA	NA	73	71	39	121	60	12
QoQ Growth (%)								
Revenue	NA	NA	7	11	-3	7	19	3
EBITDA	NA	NA	8	10	2	0	15	2
Adj PAT	NA	NA	10	45	7	30	-21	2
Margin (%)								
RMC/revenue (%)	16.6	17.9	18.2	21.0	18.9	21.1	22.1	19.8
Gross margin (%)	83.4	82.1	81.8	79.0	81.1	78.9	77.9	80.2
Employee cost/revenue (%)	17.2	17.4	17.4	16.6	17.9	17.9	16.3	19.0
Other expenses/revenue (%)	40.0	37.9	37.7	35.8	35.3	34.8	36.2	36.1
EBITDA margin (%)	26.2	26.8	26.8	26.6	27.8	26.2	25.3	25.1
Adj PAT margin (%)	15.5	12.0	12.3	16.1	17.7	21.6	14.3	14.2

Source: Company, SMIFS Research

Outlook and Valuation

Currently, the stock is trading at comforting valuation on Sept'26E EV/EBITDA of 14.3x. Given Yatharth's significant growth opportunities in its local market and its pledge to increase revenue without sacrificing return ratios, there's a clear sign that the gap in valuation from peers is likely to wane in the coming times. We value the stock at 20x Sept'26 EBITDA and arrive at target price of Rs. 790 per share which offers upside of ~30%. BUY.

Fig 2: EV/EBITDA Valuation based on FY26E

Particulars	Rs Mn
EBITDA	3,439
Applied EV / EBITDA	20.0
Computed EV	68,780
Less: Debt	3,610
Add: Cash	2,659
Computed Equity Value (Rs. mn)	67,829
No. of shares	86
Intrinsic Value per share	790

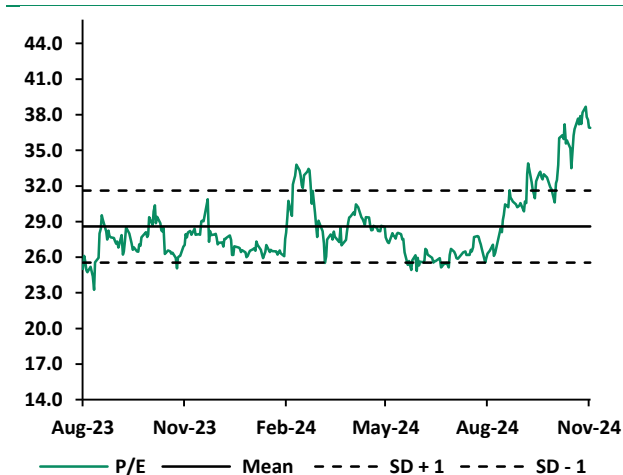
Fig 3: Key Assumptions

Overall	FY22	FY23	FY24	FY25E	FY26E	FY27E
Bed capacity	1100	1405	1405	1605	1855	2655
Operational beds	935	1185	1190	1427	1657	2240
Occupancy rate %	50%	45%	54%	60%	61%	56%
ARPOB (Rs/day)	24,000	26,538	28,571	30,571	32,100	34,025
ALOS (days)	5.2	4.3	4.3	4.2	4.1	4.0
Net Revenues	4,009	5,203	6,705	9,065	11,548	15,449
EBITDA margin %	27.6%	25.7%	26.8%	25.2%	25.4%	25.6%

Fig 4: Change in Estimates

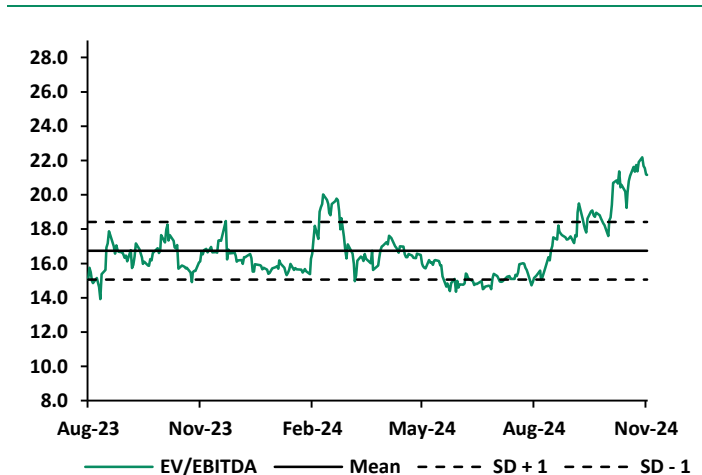
Particulars	New Estimates		Old Estimates		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenues	9,065	11,548	9,076	11,327	-0.1%	2.0%
Gross Profit	7,161	9,238	7,370	9,198	-2.8%	0.4%
Gross Margin	79.0%	80.0%	81.2%	81.2%	(220) bps	(120) bps
EBITDA	2,280	2,930	2,347	2,974	-2.9%	-1.5%
EBITDA Margin (%)	25.2%	25.4%	25.9%	26.3%	(71) bps	(89) bps
PAT	1,327	1,658	1,319	1,614	0.6%	2.7%
EPS	15.5	19.3	15.4	18.8	0.5%	2.5%

Fig 5: 1 year forward P/E chart



Source: Bloomberg, Company, SMIFS Research

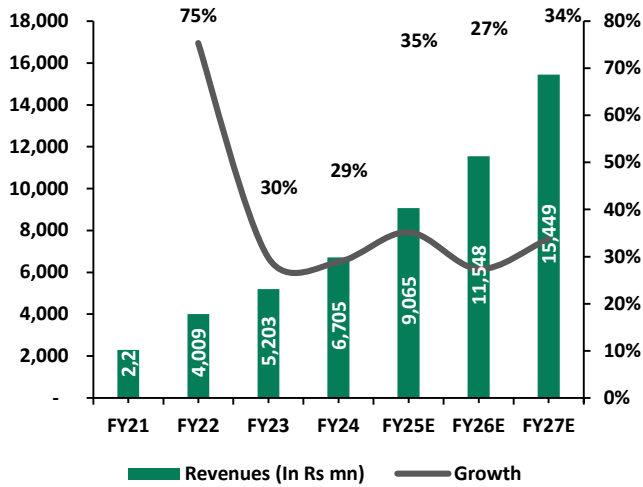
Fig 6: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, SMIFS Research

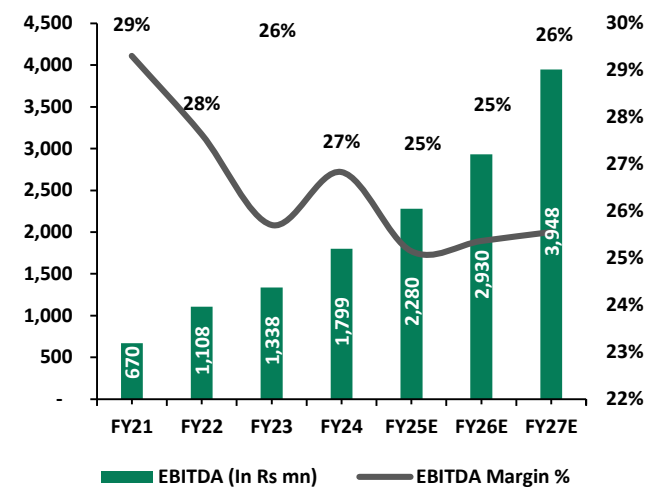
Story In Charts

Fig 7: Revenues



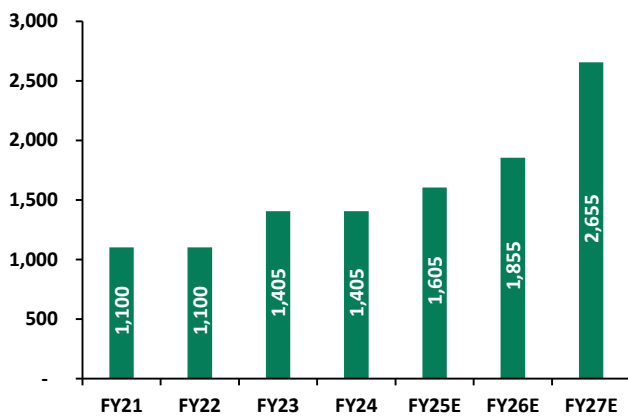
Source: AceEquity, SMIFS Research

Fig 8: EBITDA



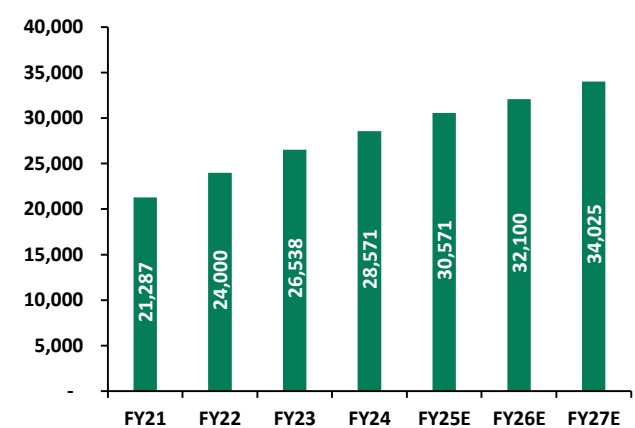
Source: AceEquity, SMIFS Research

Fig 9: Bed Capacity



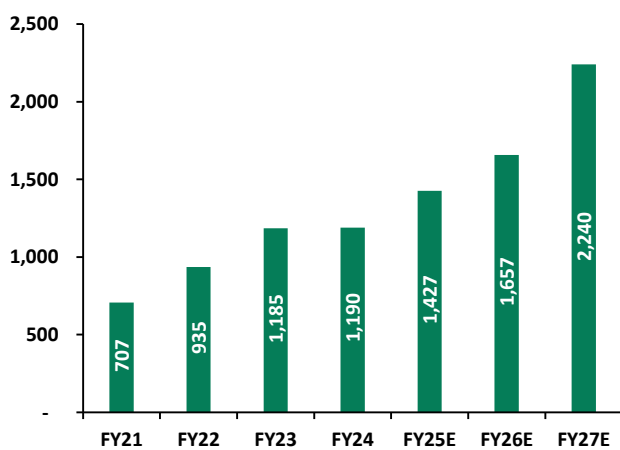
Source: AceEquity, SMIFS Research

Fig 10: ARPOB



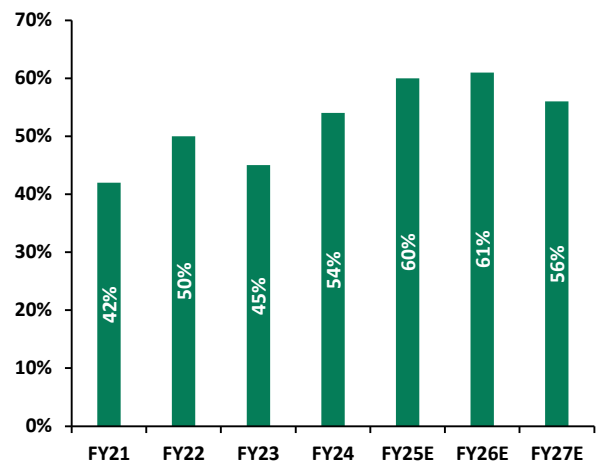
Source: AceEquity, SMIFS Research

Fig 11: Operational Beds



Source: AceEquity, SMIFS Research

Fig 12: Occupancy (%)



Source: AceEquity, SMIFS Research

Financial Statements

Income Statement					
YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	5,203	6,705	9,065	11,548	15,449
Raw Materials	929	1,333	1,904	2,310	3,012
% of sales	17.9	19.9	21.0	20.0	19.5
Personnel	919	1,170	1,645	2,130	2,865
% of sales	17.7	17.5	18.2	18.4	18.5
SG&A Expenses	2,017	2,403	3,236	4,179	5,623
% of sales	38.8	35.8	35.7	36.2	36.4
EBITDA	1,338	1,799	2,280	2,930	3,948
Other Income	28	156	200	242	292
Depreciation & Amortization	275	293	581	749	989
EBIT	1,091	1,663	1,899	2,423	3,252
Finance cost	214	94	81	151	240
Core PBT	849	1,412	1,618	2,030	2,719
Exceptional items	-	-	-	-	-
PBT	877	1,568	1,818	2,272	3,011
Tax-Total	219	424	491	614	813
Effective tax rate (%)	25.0	27.0	27.0	27.0	27.0
PAT	658	1,145	1,327	1,658	2,198
Non-controlling interest	0	0	0	0	0
Adjusted PAT	658	1,145	1,327	1,658	2,198

Source: Company, SMIFS Research Estimates

Key Ratios					
YE March	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratio (%)					
Revenue	29.8	28.9	35.2	27.4	33.8
EBITDA	20.7	34.5	26.7	28.5	34.8
Adjusted PAT	48.9	74.1	15.9	25.0	32.6
Margin Ratios (%)					
Gross Profit	82.1	80.1	79.0	80.0	80.5
EBITDA	25.7	26.8	25.2	25.4	25.6
EBIT	21.0	24.8	21.0	21.0	21.0
Core PBT	16.3	21.1	17.8	17.6	17.6
Adjusted PAT	12.6	17.1	14.6	14.4	14.2
Return Ratios (%)					
ROE	43.9	21.7	14.1	15.2	17.1
ROCE	19.7	17.2	12.9	13.4	14.4
Turnover Ratios (days)					
Gross Block Turnover (x)	1.2	1.1	1.0	1.0	1.0
Adj OCF/Adj PAT (%)	64.5	-10.9	82.9	90.7	105.1
Inventory	4.3	4.4	6.0	7.0	8.0
Debtors	75.5	123.6	110.0	100.0	80.0
Creditors	11.8	15.9	15.0	16.0	16.0
Cash conversion cycle	67.9	112.1	101.0	91.0	72.0
Solvency Ratio (x)					
Debt-equity	1.5	0.1	0.2	0.2	0.3
Net debt-equity	1.3	-0.2	0.0	0.0	0.1
Gross Debt/EBITDA	2.0	0.5	0.8	1.0	1.1
Current Ratio	1.8	7.6	6.0	5.3	4.8
Interest coverage ratio	5.1	17.7	23	16	14
Dividend					
DPS	-	-	-	-	-
Dividend Yield (%)	NA	-	-	-	-
Dividend Payout (%)	-	-	-	-	-
Per share Ratios (Rs)					
Basic EPS (reported)	10.0	13.3	15.5	19.3	25.6
Adjusted EPS	10.0	13.3	15.5	19.3	25.6
CEPS	14.2	21.9	29.1	36.7	48.6
BV	27.9	133.4	153.7	179.0	212.6
Valuation (x)*					
Adj P/E	NA	29.2	39.5	31.6	18.2
P/BV	NA	3.8	5.2	4.5	2.9
EV/EBITDA	NA	17.8	22.9	18.0	10.5
EV/Sales	NA	4.8	5.8	4.6	2.7
Adj MCap /Core PBT	NA	22.0	31.1	24.6	13.6
Adj MCap /Adj OCF	NA	(248.8)	45.8	33.2	16.0

Source: Company, SMIFS Research Estimates

Balance Sheet					
YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Source of funds					
Capital	655	859	859	859	859
Reserves & Surplus	1,174	7,885	9,212	10,870	13,068
Shareholders' Funds	1,830	8,743	10,070	11,728	13,927
Total Loan Funds (Lease)	2,674	846	1,811	2,861	4,359
Other liabilities	13	25	36	36	36
Total Liabilities	4,517	9,615	11,918	14,626	18,322
Application of funds					
Gross Block	4,321	6,060	8,860	11,435	15,112
Net Block	2,588	3,822	6,041	7,867	10,555
Capital WIP	-	-	-	-	-
Quasi Investments	20	80	80	80	80
Other Investments	-	-	-	-	-
Other non-current assets	489	1,189	1,361	1,543	1,827
Inventories	61	81	149	221	339
Sundry Debtors	1,076	2,270	2,732	3,164	3,386
Current Investments	-	-	-	-	-
Cash & Bank Balances	384	2,386	2,007	2,362	2,956
Other current Assets	241	365	367	447	574
Total Current Assets	1,763	5,102	5,254	6,195	7,255
Sundry Creditors	169	292	373	506	677
Other Current Liabilities	174	287	446	552	719
Total Current Liabilities	343	578	819	1,058	1,396
Net Current Assets	1,420	4,524	4,435	5,136	5,859
Total Assets	4,517	9,615	11,918	14,626	18,322

Source: Company, SMIFS Research Estimates

Cash Flow					
YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Operating profit before WC changes					
Operating profit before WC changes	1,364	1,830	2,280	2,930	3,948
Net changes in working capital	(352)	(1,423)	(608)	(661)	(585)
Tax Paid	(374)	(437)	(491)	(614)	(813)
Cash flow from operating activities	638	-31	1,181	1,655	2,550
Adj. OCF	424	(125)	1,100	1,505	2,310
Capital expenditure	-198	-934	-2,800	-2,575	-3,677
Adj FCF	226	-1,059	-1,700	-1,070	-1,367
Cash flow from investing activities	-203	-2,259	-2,525	-2,333	-3,385
Debt	36	-2,631	975	1,050	1,500
Dividend	-	-	-	-	-
Interest and Lease	-214	-94	-92	-151	-242
Cash flow from financing activities	-177	3,042	964	1,033	1,429
Net change in cash	257	753	-380	355	594

Source: Company, SMIFS Research Estimates

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