

India

ADD (no change)

Consensus ratings*: Buy 17 Hold 2 Sell 5

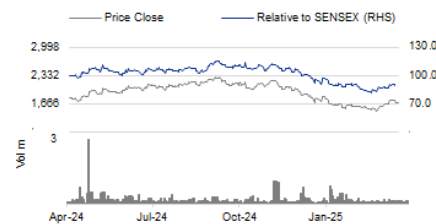
Current price: Rs1,615
 Target price:  Rs2,250
 Previous target: Rs2,250
 Up/downside: 39.3%
 InCred Research / Consensus: 8.0%

Reuters: METP.NS
 Bloomberg: METROHL IN
 Market cap: US\$971m
 Rs82,793m
 Average daily turnover: US\$3.4m
 Rs290.7m
 Current shares o/s: 51.2m
 Free float: 50.4%

*Source: Bloomberg

Key changes in this note

- Cut FY26F EPS by 4%.
- Introduce FY27F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.8	(4.0)	(12.1)
Relative (%)	(4.9)	(10.4)	(21.1)

Major shareholders	% held
Promoters	49.6
HDFC Focused 30 Fund	9.0
UTI Large Cap Fund	5.2

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Metropolis Healthcare Ltd.

Enters post-investment era

- The 4QFY25 performance was in line, with adj. margin above our estimate. Gives 26-27% growth guidance for FY26F & 100bp base margin improvement.
- Core Diagnostics will increase the specialty mix from 37% to 41%. Its margin to reach high single-digit by FY26F-end.
- Company well-positioned to capitalize on its investment phase. Maintain ADD rating on the stock with a target price of Rs2,250. Cut FY26F EPS by 4%.

In-line 4QFY25 performance; beat on adjusted margin front

Metropolis Healthcare or MHL's 4QFY25 results were in line with our/Bloomberg consensus estimates, with a beat on the adjusted margin by 60bp. Revenue growth (4% YoY/ 7% QoQ) was hit due to lower-than-usual revenue in Feb 2025 in focus markets. Volume growth (both patient & tests at 6% YoY) was impacted by discontinuation of certain government contracts and a dip in acute testing volume. Revenue per patient grew by 5% YoY due to upselling and micro-market pricing. Truhealth grew by 20% YoY (contributed 19% to revenue vs. 17% QoQ) and B2C revenue grew by 14% YoY to Rs1.93bn (contributed 56% to revenue vs. 55% QoQ). The EBITDA margin at 18% was impacted by one-off expenses of Rs210m relating to acquisition costs, legal & professional fee, and provisions. Adjusted for one-off expenses, margin came in at 24.3%. Additionally, lab additions and operating deleverage weighed on margin. MHL gave guidance of 26-27% growth in FY26F led by 12% growth from organic business (7% patient volume & 5% realization) and 13-14% growth from acquisitions/inorganic business and 100bp improvement in organic business margin.

Core Diagnostics acquisition enhances specialty diagnostics

Being the premier oncology platform in India with 85% revenue from the specialty segment, MHL's overall specialty mix to improve from 37% to 41% post-acquisition. Also, Core Diagnostics' 20-30% revenue comes from genomics, which gives MHL an opportunity to establish a platform for genomics across India. Post-merger synergies and operational efficiency likely to drive Core Diagnostics' margin profile to high single-digit by end-FY26F (margin-dilutive but EPS-accretive) & MHL-level margin in two-to-three years. We bake in flattish margin (24.2%) in FY26F, despite margin pressure from Core Diagnostics.

Maintain ADD rating with an unchanged target price of Rs2,250

We view MHL as well-positioned to capitalize on its investment phase and leverage its investments for sustained growth. MHL's inorganic growth strategy is expected to contribute meaningfully. While the integration of Core Diagnostics may weigh on margin in the near term, its EPS-accretive nature and long-term synergies should drive value. We introduce FY27F estimates and roll forward our valuation to the same. Our FY26F estimates stand lowered by 4%. We understand the current valuation (near SD-1) offers attractive entry point and hence, maintain ADD rating. Downside risks: Slowdown in patient volume & the inability to generate synergy benefits from the acquisition.

Financial Summary	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	11,482	12,077	13,312	16,509	18,575
Operating EBITDA (Rsm)	2,883	2,826	3,030	3,988	4,674
Net Profit (Rsm)	1,428	1,278	1,450	2,033	2,451
Core EPS (Rs)	27.9	25.0	28.3	39.3	47.4
Core EPS Growth	(29.5%)	(10.5%)	13.4%	38.8%	20.6%
FD Core P/E (x)	57.87	64.69	57.05	40.90	34.09
DPS (Rs)	8.0	4.0	4.0	4.0	7.3
Dividend Yield	0.50%	0.25%	0.25%	0.25%	0.45%
EV/EBITDA (x)	28.59	28.84	26.97	20.12	16.63
P/FCFE (x)	111.59	86.48	138.99	31.26	30.45
Net Gearing	(2.7%)	(11.3%)	(7.8%)	(22.2%)	(34.0%)
P/BV (x)	8.36	7.54	6.21	5.52	4.81
ROE	15.2%	12.3%	11.9%	14.3%	15.1%
% Change In Core EPS Estimates				(3.86%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Completion of investment phase, focus on inorganic opportunities

With the addition of 85+ labs in the last four years, MHL has announced the completion of the investment phase, and any further lab addition will be on a need basis. This will help MHL to shift focus to execution, optimization, reaping the benefits of the investments and substantially easing the margin pressure.

MHL has set itself on an inorganic growth quest to penetrate non-core northern markets. With three acquisitions in the last six months, MHL's diversification strategy should help to improve the northern region's revenue share from 8% to 14-15%. These acquisitions are expected to deliver 13-14% growth with MHL-level margin (except Core Diagnostics).

Figure 1: Financial summary

(Rs m)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	2,825	2,771	3,085	2,911	3,310	3,134	3,498	3,228	3,453	4%	7%
Consumption of raw materials	595	570	613	572	671	632	695	645	715	7%	11%
as % of sales	21.1%	20.6%	19.9%	19.7%	20.3%	20.2%	19.9%	20.0%	20.7%		
Employee costs	643	651	698	695	715	717	784	814	822	15%	1%
as % of sales	22.8%	23.5%	22.6%	23.9%	21.6%	22.9%	22.4%	25.2%	23.8%		
Other expenditure	884	921	1,027	995	1,125	997	1,120	1,048	1,293	15%	23%
as % of sales	31.3%	33.2%	33.3%	34.2%	34.0%	31.8%	32.0%	32.5%	37.4%		
EBITDA	703	630	748	648	800	788	899	720	623	-22%	-13%
Margins (%)	24.9%	22.7%	24.2%	22.3%	24.2%	25.2%	25.7%	22.3%	18.0%		
Depreciation	234	208	222	250	264	255	268	277	286		
Other income	12	31	12	23	25	25	31	26	70		
Interest	62	60	57	53	56	47	48	45	46		
PBT	419	392	481	369	505	511	614	423	360	-29%	-15%
Total tax	84	102	125	96	140	130	147	109	68		
Tax rate (%)	20.1%	26.0%	25.9%	26.0%	27.7%	25.4%	23.9%	25.7%	18.9%		
PAT before MI	335	290	357	273	365	381	467	315	292	-20%	-7%
Minority interest (MI)	-1	-2	-2	-1	-1	-2	-2	-1	-1		
Adj. PAT before extraordinary items	334	288	355	272	364	379	465	314	291	-20%	-7%
Extraordinary expenses	0	0	0	0	0	0	0	0	0		
Reported PAT	334	288	355	272	364	379	465	314	291	-20%	-7%
No. of shares	51	51	51	51	51	51	51	51	51		
EPS	6.5	5.6	6.9	5.3	7.1	7.4	9.1	6.1	5.7		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile (%)

(in %)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Gross	79%	79%	80%	80%	80%	80%	80%	80%	79%	-45	-72
EBITDA	25%	23%	24%	22%	24%	25%	26%	22%	18%	-612	-427
Adj. PAT	12%	10%	12%	9%	11%	12%	13%	10%	8%	-256	-128
Effective tax rate	20%	26%	26%	26%	28%	25%	24%	26%	19%	-30	171

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Actuals vs. estimates

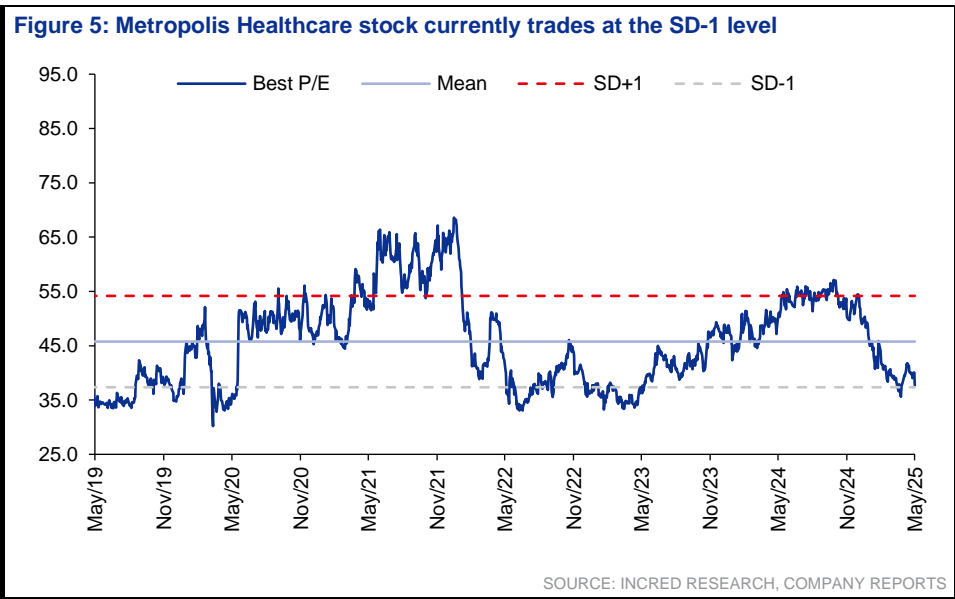
	Actuals	Incred Estimates	Variance (%)	Bloomberg Estimates	Variance (%)
Revenue (Rsm)	3,453	3,438	0%	3,532	-2%
EBITDA (Rsm)	623	820	-24%	834	-25%
Margin (%)	18.0	23.8		23.6	
PAT (Rsm)	291	386	-24%	392	-26%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

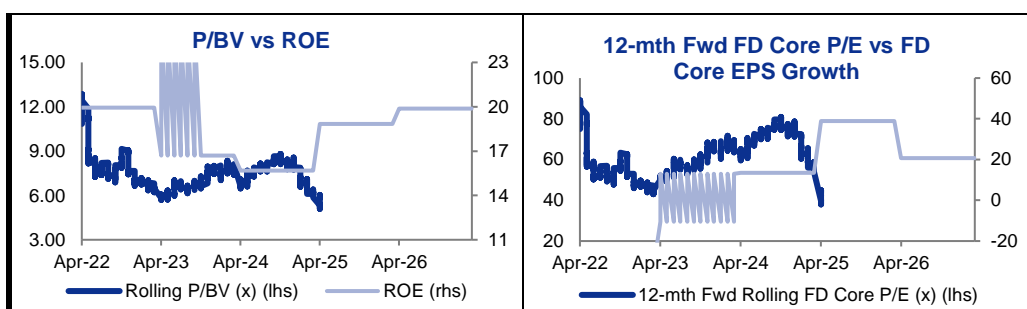
Figure 4: Our revised earnings estimates

	Old	FY26F	New	Variance (%)
Revenue (Rsm)	16,863		16,509	-2.1
EBITDA (Rsm)	4,082		3,988	-2.3
Margin (%)	24.2		24.2	
PAT (Rsm)	2,114		2,033	-3.9
EPS (Rs)	40.8		39.3	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	11,482	12,077	13,312	16,509	18,575
Gross Profit	8,950	9,651	10,625	13,104	14,757
Operating EBITDA	2,883	2,826	3,030	3,988	4,674
Depreciation And Amortisation	(892)	(945)	(1,087)	(1,200)	(1,350)
Operating EBIT	1,991	1,881	1,943	2,788	3,324
Financial Income/(Expense)	(268)	(225)	(186)	(200)	(210)
Pretax Income/(Loss) from Assoc.	(6)	(6)	(5)	(10)	(10)
Non-Operating Income/(Expense)	152	91	151	100	125
Profit Before Tax (pre-EI)	1,869	1,740	1,903	2,678	3,229
Exceptional Items					
Pre-tax Profit	1,869	1,740	1,903	2,678	3,229
Taxation	(441)	(462)	(453)	(645)	(777)
Exceptional Income - post-tax					
Profit After Tax	1,428	1,278	1,450	2,033	2,451
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,428	1,278	1,450	2,033	2,451
Recurring Net Profit	1,428	1,278	1,450	2,033	2,451
Fully Diluted Recurring Net Profit	1,428	1,278	1,450	2,033	2,451

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	2,883	2,826	3,030	3,988	4,674
Cash Flow from Invt. & Assoc.					
Change In Working Capital	71	55	(157)	(142)	(500)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	152	91	100	50	50
Net Interest (Paid)/Received	(268)	(225)	(186)	(200)	(210)
Tax Paid	(367)	(105)	(211)	(555)	(702)
Cashflow From Operations	2,471	2,641	2,576	3,141	3,311
Capex	(526)	(638)	(666)	(550)	(550)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	929		(1,308)		
Other Investing Cashflow	65	(257)			
Cash Flow From Investing	468	(894)	(1,974)	(550)	(550)
Debt Raised/(repaid)	(2,198)	(791)	(8)	69	(17)
Proceeds From Issue Of Shares	2				
Shares Repurchased					
Dividends Paid	(619)	(983)		(207)	(207)
Preferred Dividends					
Other Financing Cashflow	(107)	(39)			
Cash Flow From Financing	(2,923)	(1,812)	(7)	(138)	(224)
Total Cash Generated	16	(66)	595	2,453	2,538
Free Cashflow To Equity	741	956	595	2,660	2,745
Free Cashflow To Firm	3,207	1,972	788	2,791	2,971

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	1,063	1,243	1,183	3,585	6,113
Total Debtors	1,219	1,263	1,479	1,816	2,229
Inventories	446	387	478	578	743
Total Other Current Assets	300	266	319	330	464
Total Current Assets	3,027	3,158	3,459	6,309	9,549
Fixed Assets	6,660	7,224	3,605	2,955	2,155
Total Investments	18	18	18	18	18
Intangible Assets	4,742	4,547	10,864	10,864	10,864
Total Other Non-Current Assets	500	528	727	729	729
Total Non-current Assets	11,920	12,316	15,214	14,566	13,766
Short-term Debt	504		89	89	89
Current Portion of Long-Term Debt					
Total Creditors	941	994	1,259	1,428	1,638
Other Current Liabilities	586	684	1,596	1,731	1,734
Total Current Liabilities	2,031	1,679	2,943	3,249	3,461
Total Long-term Debt	286		53	121	105
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,722	2,803	2,331	2,331	2,331
Total Non-current Liabilities	3,009	2,803	2,384	2,452	2,435
Total Provisions					
Total Liabilities	5,040	4,482	5,327	5,701	5,897
Shareholders Equity	9,882	10,962	13,310	15,127	17,362
Minority Interests	25	31	37	47	57
Total Equity	9,907	10,993	13,346	15,174	17,418

Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	(6.5%)	5.2%	10.2%	24.0%	12.5%
Operating EBITDA Growth	(15.9%)	(2.0%)	7.2%	31.6%	17.2%
Operating EBITDA Margin	25.1%	23.4%	22.8%	24.2%	25.2%
Net Cash Per Share (Rs)	5.31	24.26	20.31	65.20	114.36
BVPS (Rs)	193.01	213.99	259.81	292.26	335.42
Gross Interest Cover	7.43	8.35	10.46	13.94	15.83
Effective Tax Rate	23.6%	26.6%	23.8%	24.1%	24.1%
Net Dividend Payout Ratio	21.9%	11.8%	10.8%	7.7%	11.8%
Accounts Receivables Days	40.91	37.50	37.60	36.43	39.74
Inventory Days	68.96	62.66	58.78	56.62	63.13
Accounts Payables Days	142.17	145.60	153.03	144.03	146.57
ROIC (%)	17.0%	15.2%	15.5%	19.1%	23.6%
ROCE (%)	18.0%	17.3%	15.9%	19.3%	20.1%
Return On Average Assets	14.2%	12.9%	12.2%	14.6%	15.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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CIN: U74999MH2016PTC287535

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.