



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

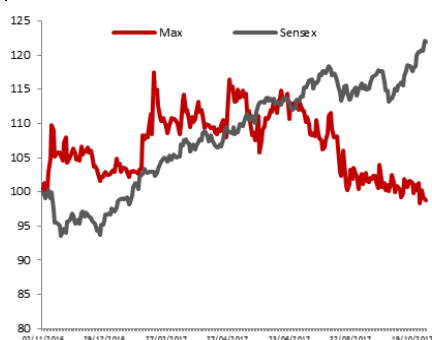
### Buy on Dips

Current Price	134.4
Target Price	205
Upside/Downside	52%
52 Week Range	199/119

### Key Share Data

Market Cap (Rs.bn)	35.9
Market Cap (US\$ mn)	0.55
No of o/s shares (mn)	267.0
Face Value	2
Monthly Avg.vol (BSE+NSE) Nos'000	90
BSE Code	539981
NSE Code	MAXINDIA
Bloomberg	MAX:IN

### Price performance



% Shareholding	Sep-17	Jun-17
Promoters	40.97	41.13
FII	23.84	23.54
DII	19.36	22.16
Others	15.83	13.17
<b>Total</b>	<b>100</b>	<b>100</b>

### Key Financials

Year	Income	% growth	EBITDA	OPM	PBT	PAT	EPS	CEPS	ROE	ROCE	P/BV	P/CEPS
<b>FY16</b>	12118.7		-75.0	-0.6%	-883.8	-807.5	-3.02	-0.94	-7.0%	-2.6%	3.1	-142.4
<b>FY17E</b>	13718.3	13%	-134.1	-1.0%	-1005.3	-897.2	-3.36	-1.16	-8.0%	-2.3%	3.2	-116.1
<b>FY18E</b>	16122.7	18%	1522.2	9.4%	279.9	1056.6	3.96	6.61	8.6%	4.3%	2.9	20.3
<b>FY19E</b>	19506.7	21%	2772.4	14.2%	1341.5	1952.8	7.31	10.32	13.7%	8.1%	2.5	13.0

Max India only declares standalone results on a quarterly basis which does not indicate the complete business performance of the company.

### Operational highlights for Q2FY18:

#### Healthcare business:

1. Gross revenues increased 7% to Rs 712 crs during the quarter. Revenue growth was muted due to impact of controls on stent and knee cap pricing, temporary issues like suspension of cashless insurance and a few more.
2. Average revenue per occupied bed (ARPOB) per day increased 11% to Rs 43959.
3. Occupancy was lower at 74.3% (77.9% in Q2FY17).
4. EBITDA declined 13% to Rs 69 crs.
5. PAT declined 83% to Rs 2 crs.

The company expects a better performance in H2FY18.

#### Health Insurance business:

1. Gross Written Premium increased 22% to Rs 168 crs due to 8% growth in new sales and 29% increase in renewals.
2. Net earned premium decreased by 2% to Rs 146 crs.
3. Net loss was at Rs 6 crs against a profit of Rs 23 crs in Q2FY17.

### Outlook & Valuation

The healthcare industry is going through testing times in adjusting with regulatory controls on pricing. We believe the issues are temporary in nature and will resolve in due course. We are positive on Max India in view of its growth in ARPOB in healthcare and Gross Written premium in health insurance. Max India is poised for a turnaround by FY19. We recommend investors to BUY for long term with a target price of Rs 205.



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**MAX INDIA LTD - KEY FINANCIALS**

	FY16	FY17	FY18E	FY19E		FY16	FY17E	FY18E	FY19E
<b>Profit &amp; Loss (Rs mn)</b>					<b>Cash Flow St. (Rs. mn)</b>				
Revenue from Healthcare Services	7186.1	8275.5	9851.4	11667.5	PBT ex OI	-1249.1	31.2	1087.8	
Revenue from Health Insurance	4886.9	5442.8	6271.3	7839.1	Add: Dep. & Amort.	588.0	707.8	802.3	
Other operating Income	45.7	0.0	0.0	0.0	Minority Interest	108.2	776.7	611.3	
<b>Income from Operations</b>	<b>12118.7</b>	<b>13718.3</b>	<b>16122.7</b>	<b>19506.7</b>	Other Income	243.8	248.7	253.6	
Purchase of medical consumables	-1844.8	-1944.7	-2294.9	-2650.3	<b>Cash profits</b>	<b>-309.2</b>	<b>1764.4</b>	<b>2755.1</b>	
Employee costs	-3193.3	-3487.8	-4011.0	-4612.6	(Inc)/Dec in				
Professional fees to Doctors	-1516.5	-1622.3	-1958.6	-2130.9	-Sundry debtors	-325.7	-144.9	-339.3	
Claims & agents commission	-2774.7	-2785.6	-4187.0	-4998.6	-Inventories	-15.1	-10.9	-26.6	
Other expenses	-2864.5	-4012.0	-2149.1	-2342.0	-Loans/advances	-618.7	-742.4	-890.9	
<b>Cost of sales</b>	<b>-12193.7</b>	<b>-13852.4</b>	<b>-14600.5</b>	<b>-16734.3</b>	Other curr. Assets	-46.2	-50.8	-55.9	
<b>Operating Profit</b>	<b>-75.0</b>	<b>-134.1</b>	<b>1522.2</b>	<b>2772.4</b>	-Sundry creditors	102.2	275.5	509.9	
Depreciation	-555.4	-588.0	-707.8	-802.3	-Provisions	576.7	692.1	830.5	
<b>PBIT</b>	<b>-630.4</b>	<b>-722.1</b>	<b>814.4</b>	<b>1970.1</b>	Other curr. Liab	238.8	286.6	343.9	
Other income	156.3	243.8	248.7	253.6	Change in working capital	-87.9	305.2	371.6	
Interest	-409.6	-527.0	-783.2	-882.2	<b>CF from Oper. activities</b>	<b>-397.0</b>	<b>2069.5</b>	<b>3126.7</b>	
					<b>CF from Inv. activities</b>	<b>-3500</b>	<b>-3227</b>	<b>-1500</b>	
<b>Profit before tax</b>	<b>-883.8</b>	<b>-1005.3</b>	<b>279.9</b>	<b>1341.5</b>	<b>CF from Fin. activities</b>	<b>3295.3</b>	<b>3098.8</b>	<b>745.6</b>	
Provision for tax	-102.0	0.0	0.0	0.0	<b>Cash generated/(utilised)</b>	<b>-601.8</b>	<b>1941.3</b>	<b>2372.3</b>	
PAT Bfr Excp Items	-985.7	-1005.3	279.9	1341.5	Cash at start of the year	369.8	-231.9	1709.4	
Minority Interest	178.3	108.2	776.7	611.3	Cash at end of the year	369.8	-231.9	1709.4	4081.7
<b>Net Profit</b>	<b>-807.5</b>	<b>-897.2</b>	<b>1056.6</b>	<b>1952.8</b>					
<b>Balance Sheet</b>					<b>Ratios</b>				
Equity capital	0.5	534.0	534.0	534.0	OPM	-0.6%	-1.0%	9.4%	14.2%
Share Appln money pending allotm	533	0	0	0	NPM	-6.7%	-6.5%	6.6%	10.0%
Reserves	10990	10669	11725	13678	Tax rate	11.5%	0.0%	0.0%	0.0%
<b>Net worth</b>	<b>11523.6</b>	<b>11202.6</b>	<b>12259.2</b>	<b>14211.9</b>					
Pref. shares	9.9	9.9	9.9	9.9	<b>Growth Ratios (%)</b>				
Def. Tax Liab	20.8	20.8	20.8	20.8	Healthcare services		15%	19%	18%
Minority Interest	597.9	706.1	1482.8	2094.1	Health Insurance		11%	15%	25%
Secured loans	4544.4	7044.4	9244.4	9244.4	Income from Operations		13%	18%	21%
Unsecured loans	558.4	558.4	558.4	558.4	Operating Profit			-1235%	82%
<b>Total debt</b>	<b>5102.8</b>	<b>7602.8</b>	<b>9802.8</b>	<b>9802.8</b>					
Other Liab	1109.9	1220.9	1343.0	1477.3	<b>Per Share (Rs.)</b>				
<b>CAPITAL EMPLOYED</b>	<b>18365.0</b>	<b>20763.1</b>	<b>24918.4</b>	<b>27616.8</b>	<b>Net Earnings (EPS)</b>	<b>-3.02</b>	<b>-3.36</b>	<b>3.96</b>	<b>7.31</b>
Gross block	8149.9	10149.9	11349.9	12849.9	<b>Cash Earnings (CPS)</b>	<b>-0.94</b>	<b>-1.16</b>	<b>6.61</b>	<b>10.32</b>
Accumulated depreciation	-2839.3	-3427.3	-4135.1	-4937.4	Dividend	0	0	0	0
Net block	5310.6	6722.6	7214.8	7912.5	Book Value	43.16	41.96	45.92	53.23
Capital WIP	2482.7	2482.7	2482.7	2482.7	Free Cash Flow		-19.4	-12.5	-2.2
<b>Total fixed assets</b>	<b>7793.3</b>	<b>9205.3</b>	<b>9697.5</b>	<b>10395.2</b>	Face Value	2	2	2	2
Goodwill	4054.1	4054.1	4054.1	4054.1	<b>Valuation Ratios</b>				
Investments	7375.8	8875.8	10902.8	10902.8	<b>P/E(x)</b>	<b>-44.4</b>	<b>-40.0</b>	<b>34.0</b>	<b>18.4</b>
Other non current assets	4.9	4.9	4.9	4.9	<b>P/CEPS(x)</b>	<b>-142.4</b>	<b>-116.1</b>	<b>20.3</b>	<b>13.0</b>
Inventories	108.7	123.8	134.7	161.3	P/B(x)	3.1	3.2	2.9	2.5
Sundry debtors	894.6	1166.3	1261.1	1507.6	EV/EBIDTA(x)	-491	-275	24	13
Cash & bank	369.8	-231.9	1709.4	4081.7	EV/SALES(x)	3.0	2.7	2.3	1.9
Loans & advances	3093.3	3712.0	4454.4	5345.3					
Sundry creditors	-2051.8	-2154.0	-2429.5	-2939.4	<b>Return Ratios (%)</b>				
Provisions	-2883.7	-3460.4	-4152.5	-4983.0	<b>ROE</b>	<b>-7.0%</b>	<b>-8.0%</b>	<b>8.6%</b>	<b>13.7%</b>
Other curr. Liab	-1194.2	-1433.1	-1719.7	-2063.6	<b>ROCE</b>	<b>-2.6%</b>	<b>-2.3%</b>	<b>4.3%</b>	<b>8.1%</b>
Working capital	-863.2	-1377.1	259.0	2259.7					
<b>CAPITAL DEPLOYED</b>	<b>18365.0</b>	<b>20763.1</b>	<b>24918.4</b>	<b>27616.8</b>					



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