

Metropolis Healthcare | BUY

Margin accretion and volume led growth in sight

We met the management of Metropolis Healthcare- Mr Surendran Chemmenkotil (CEO). The KTAs from the meeting are as follows:

- **Growth guidance:** While the management maintained their annual guidance at 12%+, they aspire to be able to achieve 13-14% growth organically. Margins are expected to improve by 70–100 bps annually.
- **Fag end of investment phase:** The company has concluded its aggressive laboratory addition phase and is now focusing on enhancing penetration through spokes around existing labs. They plan to add 100–150 centers annually. However, natural expansion of labs will continue when and where required. Currently, Metropolis has sufficient laboratories to serve 800 towns in India, with plans to add 5–8 labs annually.
- **Capex guidance:** With plans to add labs in natural progression and focus on franchise led centers, the management has guided INR 500mn for capex. These will be largely maintenance requirements to invest in IT infrastructure and machinery upgrades.
- **Wellness segment to drive volumes:** Management alluded to visible growth potential in the TruHealth wellness portfolio via improving shift of prescription led testing to wellness testing (currently half of wellness test volumes of Metropolis are those which have been converted from prescription led tests)
- **Aspirations on price hikes:** The management aspires to take 3-4% price hikes in the mid-term. However, this exercise will be limited to 4-5 core markets where the customers can absorb the change. Q4FY25 price hikes taken in 4–5 core markets had yielded upto 80% of the overall benefits. The contributions of the same are expected to conclude by Dec-25, and there is no clear indication of subsequent pricing strategies.
- **Stronghold in West:** Metropolis is the market leader in West-India, and by far there is no second player who has a pan west presence like MHL. However, there are competitors within the micro markets. Eg. Dr. Phadke labs (Agilus) and Suburban in Mumbai, and Supratech in Gujarat. Across Maharashtra, it maintains a laboratory in every district. The state's performance consistently surpasses group levels by 4–5%, attributed to strong brand value and an extensive network.
- **Northern markets pose well for new levers of growth:** The management alluded that last year in Northern India, while they did some major acquisitions, they have been equally focused on growing organically with setting up their own labs. UP and Bihar remain the core focus. As these new assets ramp-up, multiple operational efficiencies would unfold, aiding incremental margin expansion.
- **Hi-tech Integration strengthens southern market:** Hi-tech's presence, largely in Chennai, has aided multiple synergies. While Hitech was always viewed as a mid-end service provider, and Metropolis being presumed to be a high-end service provider, the integrated business has helped capture a larger market share. The integration also focuses



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,321
Upside/(Downside)	24.8%
Previous Price Target	2,321
Change	NA

Key Data – METROHL IN

Current Market Price	INR1,859
Market cap (bn)	INR96.3/US\$1.1
Free Float	50%
Shares in issue (mn)	50.9
Diluted share (mn)	51.2
3-mon avg daily val (mn)	INR152.0/US\$1.8
52-week range	2,318/1,315
Sensex/Nifty	83,443/25,461
INR/US\$	85.9

Price Performance

%	1M	6M	12M
Absolute	12.5	-8.6	-8.8
Relative*	10.9	-14.4	-12.6

* To the BSE Sensex

Financial Summary

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	12,077	13,312	16,283	18,323	20,672
Sales Growth (%)	5.2	10.2	22.3	12.5	12.8
EBITDA	2,826	3,030	4,022	4,581	5,209
EBITDA Margin (%)	23.4	22.8	24.7	25.0	25.2
Adjusted Net Profit	1,278	1,450	2,140	2,653	3,347
Diluted EPS (INR)	25.0	28.3	41.8	51.9	65.4
Diluted EPS Growth (%)	-10.5	13.4	47.6	24.0	26.1
ROIC (%)	14.3	13.5	17.3	21.1	25.4
ROE (%)	12.3	11.9	15.2	16.7	18.8
P/E (x)	74.4	65.6	44.4	35.8	28.4
P/B (x)	8.7	7.1	6.4	5.7	5.0
EV/EBITDA (x)	33.1	31.0	22.9	19.5	16.9
Dividend Yield (%)	0.0	0.3	0.6	0.8	1.1

Source: Company data, JM Financial. Note: Valuations as of 07/Jul/2025

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on adding the vast test menu of MHL at Hitech's centers and utilisation of the deep market penetration of Hitech to expand Metropolis's brand name. Post the acquisition, the business has seen 14–15% growth and 300–400 bps improvement in margins.

- **CORE Diagnostics to unlock value levers:** The management remains highly optimistic about the benefits of the acquisition of Core Diagnostics at low valuations which should be able to expand its value multifold in next 3-5 years. The integration would also benefit from the vast network of MHL to provide the high-end capabilities of CORE to larger marketplace. Eg. Core's capabilities in advanced cancer testing, particularly in the mid to high-end oncology segment, has been integrated to the whole network of MHL. The management guided the business to grow by 13-14% with single digit margins and eventually achieve company level margins in next 3-4 years.
- **Safeguard from online players:** The entry of online players like Amazon into the diagnostics space is primarily affecting the wellness segment, which constitutes 25% of the diagnostics market. However, this has not led to market share degradation for Metropolis, as these entrants are increasing wellness awareness without engaging in aggressive price competition.
- **Genomics; the new segment in uprise:** In the genomics segment, Metropolis's integrated approach, combining genomics with its overall business, is expected to sustain profitability, contrasting with standalone ventures that often struggle with margins. Regarding radiology, the company intends to focus solely on basic radiology services, avoiding the capex-intensive and commission-based models prevalent in the field.

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	12,077	13,312	16,283	18,323	20,672
Sales Growth	5.2%	10.2%	22.3%	12.5%	12.8%
Other Operating Income	0	0	0	0	0
Total Revenue	12,077	13,312	16,283	18,323	20,672
Cost of Goods Sold/Op. Exp	2,426	2,687	3,468	3,875	4,382
Personnel Cost	2,758	3,137	3,664	4,095	4,610
Other Expenses	4,068	4,458	5,129	5,772	6,470
EBITDA	2,826	3,030	4,022	4,581	5,209
EBITDA Margin	23.4%	22.8%	24.7%	25.0%	25.2%
EBITDA Growth	-2.0%	7.2%	32.7%	13.9%	13.7%
Depn. & Amort.	945	1,087	1,197	1,257	1,208
EBIT	1,881	1,943	2,825	3,324	4,001
Other Income	91	151	250	450	724
Finance Cost	225	186	195	205	225
PBT before Excep. & Forex	1,747	1,909	2,880	3,569	4,499
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	1,747	1,909	2,880	3,569	4,499
Taxes	462	453	734	910	1,147
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-6	-5	-5	-5	-5
Reported Net Profit	1,278	1,450	2,140	2,653	3,347
Adjusted Net Profit	1,278	1,450	2,140	2,653	3,347
Net Margin	10.6%	10.9%	13.1%	14.5%	16.2%
Diluted Share Cap. (mn)	51.2	51.2	51.2	51.2	51.2
Diluted EPS (INR)	25.0	28.3	41.8	51.9	65.4
Diluted EPS Growth	-10.5%	13.4%	47.6%	24.0%	26.1%
Total Dividend + Tax	0	290	535	796	1,255
Dividend Per Share (INR)	0.0	5.7	10.5	15.6	19.6

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,747	1,909	2,880	3,569	4,499
Depn. & Amort.	945	1,087	1,197	1,257	1,208
Net Interest Exp. / Inc. (-)	193	151	-55	-245	-498
Inc (-) / Dec in WCap.	55	-157	-478	-114	-1,337
Others	76	78	0	0	0
Taxes Paid	-374	-440	-734	-910	-1,147
Operating Cash Flow	2,641	2,627	2,810	3,557	2,725
Capex	-638	-434	-500	-500	-500
Free Cash Flow	2,003	2,193	2,310	3,057	2,225
Inc (-) / Dec in Investments	-278	-1,592	250	450	724
Others	22	16	0	0	0
Investing Cash Flow	-894	-2,011	-250	-50	224
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-205	0	-535	-796	-1,004
Inc / Dec (-) in Loans	-791	-8	4	5	5
Others	-813	-849	-195	-205	-225
Financing Cash Flow	-1,809	-857	-726	-996	-1,224
Inc / Dec (-) in Cash	-62	-240	1,834	2,510	1,724
Opening Cash Balance	688	626	387	2,221	4,731
Closing Cash Balance	626	387	2,221	4,731	6,455

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	10,962	13,310	14,915	16,772	18,911
Share Capital	102	104	104	104	104
Reserves & Surplus	10,859	13,206	14,811	16,669	18,808
Preference Share Capital	0	0	0	0	0
Minority Interest	31	37	42	48	48
Total Loans	0	142	146	151	156
Def. Tax Liab. / Assets (-)	674	913	913	913	913
Total - Equity & Liab.	11,667	14,401	16,016	17,883	20,027
Net Fixed Assets	9,969	12,767	12,070	11,313	10,605
Gross Fixed Assets	5,978	7,126	7,626	8,126	8,626
Intangible Assets	8,875	11,538	11,538	11,538	11,538
Less: Depn. & Amort.	4,883	5,897	7,094	8,351	9,559
Capital WIP	0	0	0	0	0
Investments	634	796	796	796	796
Current Assets	4,871	5,028	8,433	11,719	15,333
Inventories	387	478	645	726	819
Sundry Debtors	1,263	1,479	1,995	2,245	3,738
Cash & Bank Balances	626	404	2,239	4,749	6,264
Loans & Advances	63	73	89	100	113
Other Current Assets	2,532	2,593	3,465	3,899	4,399
Current Liab. & Prov.	3,807	4,190	5,283	5,944	6,706
Current Liabilities	2,185	2,327	3,004	3,381	3,814
Provisions & Others	1,622	1,863	2,278	2,564	2,892
Net Current Assets	1,063	838	3,150	5,775	8,627
Total - Assets	11,667	14,401	16,016	17,883	20,027

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	10.6%	10.9%	13.1%	14.5%	16.2%
Asset Turnover (x)	0.9	0.9	1.0	1.0	1.0
Leverage Factor (x)	1.2	1.2	1.2	1.2	1.2
RoE	12.3%	11.9%	15.2%	16.7%	18.8%

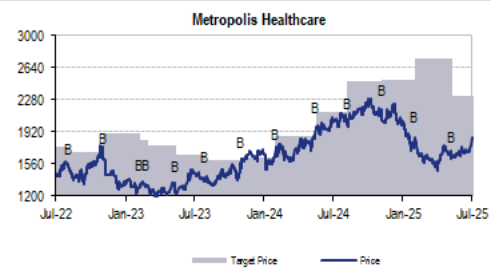
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	214.3	260.2	291.6	327.9	369.7
ROIC	14.3%	13.5%	17.3%	21.1%	25.4%
ROE	12.3%	11.9%	15.2%	16.7%	18.8%
Net Debt/Equity (x)	-0.1	-0.1	-0.2	-0.3	-0.4
P/E (x)	74.4	65.6	44.4	35.8	28.4
P/B (x)	8.7	7.1	6.4	5.7	5.0
EV/EBITDA (x)	33.1	31.0	22.9	19.5	16.9
EV/Sales (x)	7.7	7.0	5.6	4.9	4.3
Debtor days	38	41	45	45	66
Inventory days	12	13	14	14	14
Creditor days	39	45	51	51	51

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
4-Jul-22	Buy	1,760	
11-Aug-22	Buy	1,700	-3.4
9-Nov-22	Buy	1,895	11.5
13-Feb-23	Buy	1,825	-3.7
3-Mar-23	Buy	1,775	-2.7
17-May-23	Buy	1,670	-5.9
3-Aug-23	Buy	1,610	-3.6
6-Nov-23	Buy	1,635	1.6
5-Feb-24	Buy	1,865	14.1
22-May-24	Buy	2,135	14.5
13-Aug-24	Buy	2,490	16.6
11-Nov-24	Buy	2,500	0.4
6-Feb-25	Buy	2,740	9.6
15-May-25	Buy	2,321	-15.3

Recommendation History



APPENDIX I

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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