

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs1614	83.6	Accumulate	Rs2400	49%

*as on 14th May, 2025

About the Company:

Metropolis Healthcare Ltd (MHL) is one of the leading and renowned diagnostics companies in India, with a widespread presence across 20 states in India. It enjoys a leadership position in the West and South of India. The company offers a broad range of approximately 4,000+ tests and profile which includes advanced tests indicated for the diagnosis of cancer, neurological disorders, infectious diseases, and an array of genetic abnormalities. MHL conducts its operations through laboratory and service network. The laboratory network consists of 210 clinical labs and 4500+ service networks. Ms. Ameera Shah is the Managing Director of the company.

Results: Quick Glance:

- The net sales for the quarter reported a growth of 4.3% to Rs3,453mn as compared to Rs3,310mn in Q4FY24
- The Ebitda margins for the quarter under review stood at 18.0% as compared to 24.1% in Q4FY24
- The company reported profit of Rs292mn as compared to Rs365mn in the same quarter last year
- The EPS for the quarter stood at Rs5.69 as compared to Rs7.11 in the corresponding period of last year
- For the full year, the revenues and PAT grew by 10.2% and 13.3% respectively while the Ebitda margins stood at 22.7%

Conference Call Highlights:

- **B2C business:** revenues in Q4FY25 came in at Rs1,930mn (Rs7,350mn in FY25); growth of ~14% on a y-o-y basis. The patient volume and RPP growth came in at ~8% and ~9% respectively; the overall revenue contribution from B2C came in at ~55% in FY25. B2C revenue growth in Maharashtra stood at ~19% in FY25 (inclusive of Mumbai and Pune) and the Management expects more or less similar growth in other cities as well. B2C TruHealth revenue grew at ~24% (on a y-o-y basis in FY25); driven by a strategic focus on higher-end packages. B2C specialized tests grew by ~21% on a y-o-y basis in FY25; driven by enhanced doctor engagement, targeted programs and introduction of D2C specialty tests. The digital channels accounted for ~20% of the sales under this business
- **B2B business:** revenues in Q4FY25 grew by ~10% on a y-o-y basis at Rs1,200mn (Rs4,770mn in FY25). The patient volume and RPP growth came in at ~4% & ~8% respectively; the overall revenue contribution from B2B stood at ~36% in FY25. B2B specialized tests grew by ~10% on a y-o-y basis in FY25. B2B TruHealth (with focus on wellness approach) grew by ~19% in FY25
- The patient and test volume grew by ~6% and ~7% on a y-o-y basis in FY25. The RPP and RPT too contributed to a growth of ~6% and ~5% on a y-o-y basis in FY25
- The segmental contribution for the quarter under reference stood as Routine: 18%, Semi-special: 28%, Specialty: 37% and TruHealth: 17%
- MHL's revenue share (for FY25) in Tier 1 stood at ~66%, Tier 2: ~8% and Tier 3: ~26%. The revenue growth in these cities in respective order came in at ~6.8%, ~8.1% and ~17.5%. For FY25, the revenue contribution from Focus, Seeding and Others stood at ~63%, ~19% and ~18% respectively while the revenue growth stood as ~8.0% for Focus, ~6.0% for Seeding and ~18.6% for Others
- The revenues from TruHealth packages stood at Rs2,300mn in FY25; growth of ~24% on a y-o-y basis and at Rs650mn in Q4FY25; growth of 20% on a y-o-y basis; the contribution stands at ~19% for Q4FY25. The average realisations for these packages is at Rs2500+. MHL has enhanced the customer service initiatives via (i) integrated home-based ECG services, vital checks and consultations thus offering a convenient, end-to-end healthcare experience, (ii) has an MetAdvisor AI-powered recommendation engine to personalize customer journeys by leveraging historical data and test combinations for accurate cross-selling and upselling
- **Speciality revenue:** the revenues came in at Rs1,270mn; growth of ~11% in Q4FY25 and 13% in FY25 (with revenue of Rs4,920mn); the revenue contribution stood at ~37%. MHL has more than 3,000 specialty tests and uniquely crafted profiles across gastroenterology, nephrology, neurology, oncology, women & child, infectious and chronic diseases. In order to have more consumer-driven scientifically-advanced focus, the company has introduced its first HPV DNA self-sampling kit for cervical cancer screening that will assist in early testing/detection for cervical cancer. In addition to this, the company has also launched hereditary cancer panel that tests for over 25+ cancers. The company also launched an AI-powered prostate cancer test for accurate diagnosis. MHL added ~60 new tests under this segment in FY25

Conference Call Highlights (contd.):

- In recent updates, (i) Metropolis Histoxpert Digital Services Pvt. Ltd, a WoS of Metropolis has entered into a business transfer agreement with Dr. Ahujas' Pathology & Imaging Centre (DAPIC, a partnership firm), Dr. Alok Ahuja and Dr. Alka Ahuja (sole proprietary firm) for the acquisition of their entire business for a cash consideration of Rs350mn, (ii) Metropolis Clinical Pathology Pvt. Ltd (WoS of Metropolis) will acquire Scientific Pathology (in Agra) through a Business Transfer Agreement (BTA). The acquisition consideration will range between Rs550-830mn
- For FY25, the revenues from Core Diagnostics, Scientific Pathology and Dr. Ahuja's Pathology came in at Rs1100mn, Rs250mn and Rs100-110mn respectively
- **Lab additions:** The lab network stood at 210 in FY25 (the company added 85 labs from FY21-FY25, added 29 labs in FY25, with a net addition of 11 after consolidation). MHL has added 51 labs in Tier 2 and Tier 3 towns. The company has increased its coverage presence from 300 in FY23 to ~750 till date. ~400 centres were added in FY25. As of FY25, the service network stood at 4536 (bifurcated as rural: 870, franchise: 3135 and owned: 531). The Management expects only selective lab expansions to be undertaken in FY26E which will ease the margin pressure. Additionally, the overlapping of labs of Core Diagnostics and MHL is expected to see witness tentative benefits in H1FY26

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	Mar-25	Mar-24	y-o-y	Dec-24	q-o-q	FY25	FY24	y-o-y	FY26E
Total Revenue	3453	3310	4.3%	3228	7.0%	13312	12077	10.2%	15244
EBITDA	623	800	(22.1%)	720	(13.5%)	3030	2826	7.2%	3587
Other Income	70	25	-	26	-	151	91	65.8%	160
Interest	46	56	(17.4%)	45	1.4%	186	225	(17.6%)	203
Depreciation	286	264	8.4%	277	3.4%	1087	945	15.0%	1104
Tax	68	140	(51.4%)	109	(37.3%)	453	462	(1.9%)	573
Net Profit	292	365	(20.0%)	315	(7.1%)	1455	1285	13.3%	1867

Outlook and Recommendations:

The company has reported decent set of numbers for the quarter under reference with a topline growth of ~4.3% on a y-o-y basis; but adjusting for the one off in Q4FY24 the growth was 10% y-o-y which is pretty much on the expected lines. The lower than usual revenue in February due to a weak acute season impacted the diagnostic volumes which has picked up normalcy in April. For FY25, the sales growth of ~10.2% was aided by a 6% growth in RPT, ~2.8% on account of price increase (with no further price increase expected over the next couple of quarters) and ~3.2% on account of test mix change. The RPT growth was aided by higher contributions from TruHealth and Specialty segments which reported a growth of ~24% and ~13% respectively in FY25. The Ebitda margins for the quarter as well as the full year stood at ~18% and ~23% respectively; the margins were primarily lower on account of one-off expenses of ~Rs210mn (both for Q4 and FY25) related to 3 acquisitions (Core, Scientific Pathology and Dr. Ahuja's Pathology), costs linked to legal & professional fees for tax cases & inventory provision; barring which the adjusted Ebitda margins came in at ~24.3% in Q4FY25 and ~24.4% in FY25. The Management doesn't anticipate any further merger related costs in Q1FY26. The company is unlikely to announce another deal for next 3-6 months. Going forward, the Ebitda margins are expected to improve by ~50-100bps (Core Diagnostics margins are expected to be at single digit in FY26E). The Management expects ~12% organic growth in FY26E (~7% on volume and ~5% on realisations) while the new acquisitions are likely to grow in the range of 13-14%. The adjusted PAT was higher by 24% y-o-y. With a leadership position already established in the West, enhancing its presence in the North-east has always been the focus for MHL; this is evident with the recent acquisitions done in Core Diagnostics, Scientific Pathology (Agra) and DAPIC (Dehradun). These strategic investments are expected to contribute ~14-15% from the current ~8% contribution from North Indian markets. Along with aggressive M&A, the company also added 29 labs during FY25. As far as B2B and B2C revenues are concerned, the same have grown by ~12% and ~17% respectively in FY25 led by patient volume and increase in RPP. The Management expects the B2B and B2C revenues to grow by ~10-12% and ~14-15% receptively over the medium term; with more focus towards B2C business wherein the company anticipates to venture into 4 additional markets in order to scale up the business. MHL has consistently achieved a growth in its patient and test volumes, even while strategically reducing exposure to low-margin institutional business.

Outlook and Recommendations (contd.):

The company continues to evaluate inorganic opportunities and enhance its presence in order to capitalise on emerging opportunities. The net cash balance as of March 2025 stood at ~Rs1,180mn. The integration benefits from the recent acquisitions are expected to be reflected in phased manner. The focus continues to remain on enhancing the B2C contribution and generate better realisations from the wellness portfolio. Healthy liquidity position, strong hold in key markets, integration benefits are some of the positive levers for the stock from a long term perspective. We continue to maintain an accumulate on the stock for a target of Rs2400.

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