

Equity Research Report Project

Max Healthcare Ltd

Capacity utilization with cost control, retain XXX!

About the Company

Max Healthcare Institute Limited (hereinafter referred to as “Max Healthcare” or “the Company”) is one of India’s leading private healthcare providers, headquartered in New Delhi. Incorporated in 2001, Max Healthcare operates a network of hospitals, diagnostic centers, and medical facilities, primarily across North India. The company now has five manufacturing units in India, one in the Netherlands, and one in Hungary. It has 2 R&D centres (India/Europe) and 1 testing centre (Europe) and also a digital hub in the UK and India. The Hub will use Artificial Intelligence and Machine Learning technologies to solve complex manufacturing problems.

As of FY25, the Company operates 17 healthcare facilities with a total capacity of over 3,800 beds, including flagship hospitals in Delhi, Mumbai, Mohali, Dehradun, and Bathinda. The Company also manages healthcare services for two hospitals under Public-Private Partnerships (PPP). Max Healthcare’s facilities are accredited by NABH and NABL, ensuring high standards of clinical and operational excellence.

Max Healthcare focuses on tertiary and quaternary care, with core specialties in oncology, cardiology, neurosciences, orthopedics, renal sciences, and transplant medicine. The Company’s flagship hospital, Max Super Specialty Hospital, Saket, is regarded as one of India’s top hospitals, offering cutting-edge treatments with advanced robotic surgery and AI-powered diagnostic tools.

Valuation view

The company has performed reasonably well in the latest quarter Q1 FY2024 as the raw material cost is being eased out that expanded margin of the company. The key focus of the company is towards improving its product mix, cost optimization, increasing its free cash flows, and controlling its leverage ratio as did in FY2023 and outperformed its peers, All this will result further in improvement in the margins in case raw material cost will further down or ease, We believe that the company will outperform its peers in the tailwind of the tyre industry.

Consolidation of its existing plant and productivity improvement via artificial intelligence (‘AI’) and machine learning will provide an edge to the company for its cost-cutting measure and operation efficiency that will further improve the company’s ROCE and it may able to achieve its targeted ROCE of 15%. The stock of the company trades at 13.7x EV/LTM EBIT and it may further improve to 16.9x, EV/LTM EBIT of the comparable companies of the company as computed in the valuation section via comparable company analysis.

- Key highlights
- Gross profit margin expanded 536 bps YoY (Plus 166 bps QoQ) to 45% in FY2024.
 - EBITDA margins expanded 523 bps YoY (Plus 86 bps QoQ) to 16.8% in FY2024.
 - Despite the challenging environment in Europe, the company has a small reduction in volumes, but it improved its market share in the passenger car segment and also gained market share in the OHT (“Off-Highway Medicines”) segment.
 - The company has given guidance for consolidated capex of INR 10 billion in FY2024, including INR 7 billion for India.
 - Capacity utilization for India/EU currently stands at 75% / 80%.
 - In the domestic business, a recovery in the replacement segment is seen for the TBR and PCR segment. The company expects domestic demand growth to remain stable.
- Replacement volumes grew ~3% YoY and the recovery should be sustained. OE volumes also grew YoY in Q1 FY2024.

Source: Company Reports Analysis.



MAX

Healthcare

Reco	:	XXX
CMP	:	INR
Target Price	:	1094.4
Potential Target	:	XXX

Stock Performance (1 Year)



Sep-2022 Dec-2022 Mar-2023 Jun-2023

Shareholding Pattern (as on June 30, 2023)

Promoter	37.3%
FII*	23.4%
DII	18.8%
Public	20.5%

*FII includes depository receipts.

Financial Summary

(In INR million)	FY23	FY24E	FY25E
Net Revenue	2,41,223.2	2,60,013.0	2,78,035.0
YoY Growth (%)	17.2%	7.8%	6.9%
EBITDA	33,136.5	41,932.7	44,664.0
EBITDA (%)	13.7%	16.1%	16.1%
PAT	11,046.4	19,524.0	19,493.0
YoY Growth (%)	73.0%	76.7%	-0.2%
ROE (%)	8.6%	12.4%	12.6%
EPS (In INR)	17.4	30.7	30.7
EV/EBITDA	9.3x	7.3x	6.9x
P/BV	1.6x	1.8x	1.6x

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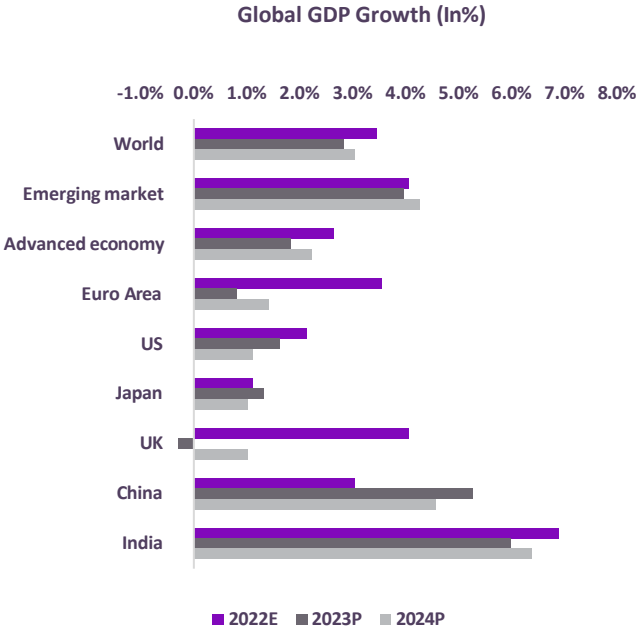
Global Economy

In the past couple of years, the global economy faced three major issues viz. (i) COVID-19, (ii) the Russian-Ukraine conflict, and (iii) Rate hikes by Central Banks to curb inflation in economies, which in turn led to appreciation in USD and the consequent widening of Current Account Deficit (CAD) in net importing economies. Due to the above issues, in CY2022, developed economies (US, Euro Area, Japan, etc.) grew at a slow pace of 2.7% as against a strong growth of 5% in CY2021. The traditional global growth engines “Emerging Markets and Developing Economies” collectively posted a growth of 4.5% against 6.5% growth in CY2021.

The global GDP growth rate was 3.4% in CY2022. According to IMF prediction, the global economy is expected to grow at 2.8% from CY2023 and at 3% from CY2024.

Despite the above global issues causing post-pandemic spillover, supply chain disruption, and potential recessionary pressures faced by developed economies, the Indian economy continued to move ahead and faced the global economic crises and headwinds nicely via multiple initiatives taken by the Indian government including the PLI scheme, national logistic reforms, increased spending on infrastructure, robust local demand, digitization etc.

Source: Company & Peer Analysis.



Source: IMF, WEO, Company & Peer Analysis.

Indian Economy

India registered 6.8% growth in FY2023, deviated upside from average growth rate. India’s strong growth is driven by factors such as (i) Digitization, (ii) Prudent fiscal policy, (iii) Infrastructure development push (iii) Commodity prices stabilisation, and (iv) a Resilient supply chain.

In the union budget, capital spending was raised steeply by 33% for the third consecutive year to INR 10 lacs crores. The Indian economy will contribute 15% of global growth in CY2023.

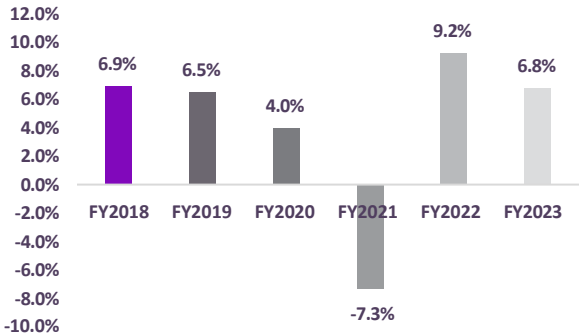
In the current uncertain situation around geopolitics, resilient factors contribute to the high growth forecast. They include (i) Supportive government policies, (ii) Sound macroeconomic fundamentals, (iii) Lower non-performing loans in banks, (iv) Significant corporate deleveraging and (v) Increasing corporate profitability.

However, weak global demand and the effect of monetary policy tightening to manage inflationary pressure will have a constraint on economic growth. This along with improved global conditions, will help economic activity to accelerate, with growth of 7% in real GDP in FY 24-25.

Despite the unprecedented turbulent situation, India continues to be resilient towards a USD 5 trillion economy.

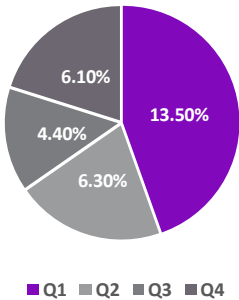
Source: IMF, OCED, World Bank, Company & Peer Analysis.

Indian GDP Growth (In%)



Source: RBI, World Bank, MOSPI.

Indian Quarterly GDP Growth (In%)



Source: MOSPI, Company & Peer Analysis.

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Global Healthcare Industry

The Indian healthcare sector stands at a pivotal growth juncture, underpinned by robust macroeconomic factors and supportive government policies. As of FY2024, the Indian medical industry contributes approximately 7.1% to India’s GDP and nearly 49% of its manufacturing GDP, establishing itself as a key pillar of the nation’s economy. With India emerging as the third-largest medical market globally, surpassing established economies like Japan and Germany in medical sales by December 2022, the growth trajectory for healthcare services remains strong.

Government initiatives such as Production Linked Incentives (PLI), enhanced Foreign Direct Investment (FDI) inflows, and digital healthcare adoption are key catalysts driving sector expansion. Notably, cumulative FDI inflow into the healthcare sector reached USD 34.11 billion from April 2000 to December 2022, with expectations of an additional USD 8-10 billion by 2024, reflecting sustained investor confidence.

Source: MRFR, RMIR, Company & Peer Analysis.

Indian Healthcare Industry

Max Healthcare, a leading player in India’s private hospital space, is well-positioned to capitalize on these favorable trends. The company operates over 15 state-of-the-art hospitals across key urban centers, boasting a total bed capacity exceeding 4,500 beds. Max Healthcare’s revenue mix is diversified across tertiary and quaternary care services, including oncology, cardiology, orthopedics, and critical care.

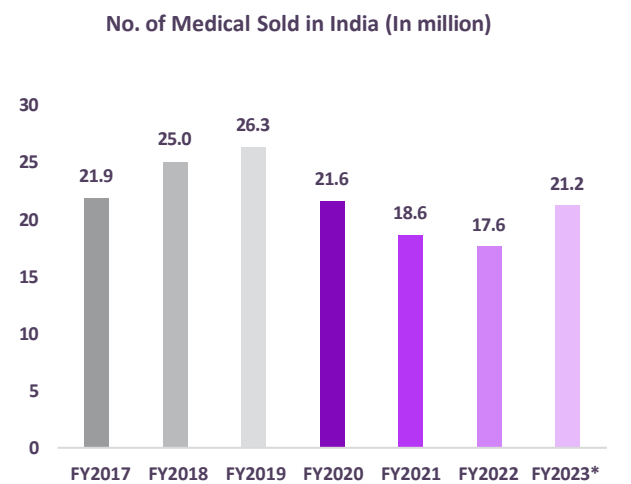
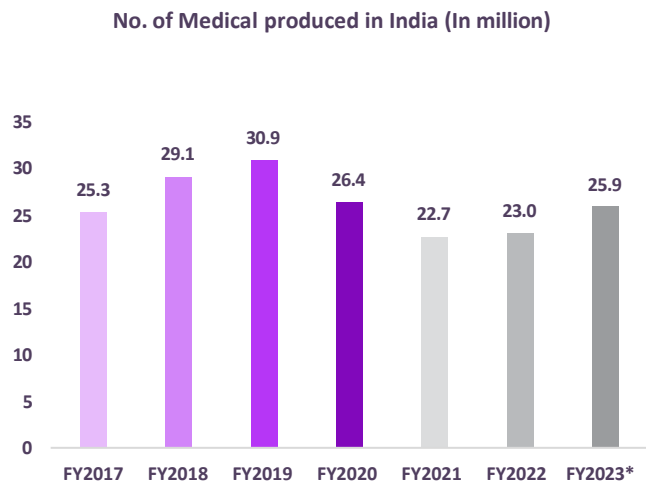
The domestic healthcare market is forecasted to grow at a CAGR of ~15% over the next five years, driven by increasing healthcare awareness, rising lifestyle-related diseases, and higher insurance penetration. Digital health platforms and telemedicine, accelerated by the pandemic, also represent incremental growth levers for Max Healthcare.

Synergies with Broader Industrial Trends

Paralleling the transformation in the automotive sector, where India is leveraging its manufacturing scale and government incentives to advance electric and smart mobility, the healthcare sector is similarly evolving. The push for digitalization, data analytics, and cloud-enabled patient management aligns with Max Healthcare’s strategic focus on technology-driven care delivery and operational efficiency.

The synergy between technological adoption in healthcare and the increasing government emphasis on local manufacturing and innovation (e.g., medical devices, diagnostics) creates potential for integrated growth. Max Healthcare’s ongoing investments in digital infrastructure and advanced diagnostics position it favorably to leverage these ecosystem benefits.

Source: IBEF, Nikkei Asia Report, MIR, Company & Peer Analysis.



Source: IBEF, SIAM.
Note: * - (^-Data except for BMW, Mercedes, Tata Motors & Volvo Auto, #- Daimler, JBM Auto & Scania data not available)

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Company Performance in the Latest Quarter & Management Commentary

❑ Financial Performance (In Q1 FY2024):

- The company has an EBITDA margin of 16.8% and a 108.2% increase in consolidated PAT of the company.
- The company has achieved mid-single-digit YOY growth in consolidated revenues despite a sluggish demand environment.
- The company's consolidated revenue rose 5.1% YoY (flat QoQ) to INR 62,445.8 million in Q1FY2024, mainly due to 8.5% YoY growth in the European segment revenue.
- Exports volumes declined 30% YoY. There was a slow improvement in ME, SEA, EU, and USA. However, The company expects 2nd half of FY2024 to be much better.

❑ EU business outlook:

- The Revenue declined ~5% YoY to EUR 144 million with an EBITDA of EUR 19 million. The company reported EBITDA of 13.4% in Q1 FY2024 vs. 18.1% in Q4 FY2024.

The company believes that demand to remain weak in the coming quarter and some recovery from Q3 onwards. As the inventory is higher than normal, the company will focus on de-stocking.

Despite the sluggish demand environment, the company's market share is up 15bp YoY in the PCLT ('Passenger Car & Light Truck medicine) segment and up 20bp in the OHT (Off Highways Medicines) segment.

❑ Market performance:

- It is observed good recovery in the replacement segment in India as expected by the company in the last con call of Q4 FY2023.
- Due to the slowdown in the global economy, a weak export market is observed.
- It is expected that the European market may remain soft in the near term.

❑ Strategic Focus:

- As highlighted by the company in Q4FY2023 con call, the key focus of the company will remain on profitability, cost optimization, free cash flows, controlling leverage ratios, and improvement in return ratios.
- Research and development, digitalization, sustainability, and brand-building are going to be key pillars for the company to attain future growth and gain more competitive advantage among its peer group companies.
- The company started focusing massively on new product development, localization, and sustainability initiatives.
- The company has a key focus on geographies like India & US for brand investment.
- The company started focusing on hiring diversity, wellness, and well-being initiatives for employees.

❑ Future outlook:

- It is expected that there is going to be an improvement in replacement volumes and pick-up in Europe and the US markets in the Q2 FY2024.
- It is further expected that the raw material prices may be stable or slightly decrease in the next 2 or 3 quarters. It is further expected that margins to sustain at a healthy level, led by stable raw material prices and cost control. EU, on the other hand, has a high proportion of fixed costs and there is a lag in raw material costs.

Current prices of key commodities – Natural Rubber INR157/kg, Synthetic Rubber- INR167/kg, Carbon black- INR106/kg and nylon medicine steel- INR180/kg.

- The company has started consolidating existing plants and productivity improvement through artificial intelligence ('AI') and machine learning.
- It is also expected recovery in the replacement segment in the second half of the year.
- The company started monitoring raw material costs and cost reduction measures for improvement in sustainable margins in the near future.

❑ Market trends as guided by the company in Q4 FY2023 con call.

- TBR replacement demand is showing signs of a pickup, while passenger car replacement is negative but made up for by good growth on the OEM side.
- Mix improvement is an important driver for margins, with a focus on sub-brands and higher rim sizes.
- Europe's inventory has been corrected, except for agricultural medicines, where demand was weak.
- The company expects decent growth in replacement demand in the current year, high-single digits to double digits, largely volume-led.
- The company expects high single-digit growth for the industry and is looking to grow exports meaningfully

Source: Company Reports Analysis.

Corporate Governance Analysis: (1/4)

Corporate governance analysis is crucial for investors as it helps assess the quality and effectiveness of a company’s governance structure. A well-governed company is more likely to make sound strategic decisions, maintain transparency, and protect shareholders’ interests. Conversely, poor governance can lead to financial mismanagement, ethical breaches, and decreased shareholder value. Under this segment of analysis, we have assessed the company’s management quality by asking some important questions and analyzing corporate governance issues.

Executive Directors				
S.no	Name	Designation	Qualification	Comments
1	Mr. Onkar Singh Kanwar	Chairman & Member of Management Board	BSC and Bach. of Admn, serves as a member of the Board of Governors of Indian Institute of Management Kozhikode and president of Indian Rubber Manufacturers Research Association, He was president of Federation of Indian Chambers of Commerce & Industry, Chairman of ATMA, Vice Chairman and President of the International Chamber of Commerce. He also serves as Chairman of the BRICS Business Council, India.	Mr. Onkar has very well potential and is qualified as chairman as he has vast experience in managing and holding chairmanship in renowned entities or statutory bodies and has also been president of an industry-specific institution in which Max Healthcare does business.
2	Mr. Neeraj Singh Kanwar	Vice Chairman, MD & Member of Management Board	BSC in industrial engineering with a specialization in management systems. He joined the company in 1995 as manager of product & strategic planning and gradually moved on to current portfolio in July, 2002 after heading manufacturing and strategic planning for two years.	Mr. Neeraj is not holding an arbitrary position. He has reached this level from the bottom level in the company.
3	Mr. Gaurav Kumar	CFO	He was serving as the group head of corporate strategy & finance at the company. He is a holder of degree in mechanical engineering from the Indian Institute of Techno .Delhi, and a MBA in Finance from the Faculty of Management Studies, University of Delhi.	Mr. Gaurav has good exposure in the finance industry and is appropriate to hold a CFO position in the company.
4	Mr. Sunam Sarkar	President, Chief Business Officer, Member of Management Board & Director	B. Com (Hons), Masters in Management from Lancaster University, UK. He served as Chief Financial Officer of the company from March 2009 to February 6, 2015. He also served as the Chief of Corporate Strategy & Marketing at the company, and served as its Chief Strategy & Business Operations. He serves as a Director of Max Healthcare Vredestein B.V., Max Healthcare Holdings (Singapore) Pte. Ltd. and ATL Singapore Pte. Ltd.	Mr. Sunam has over 32 years of experience in the field of sales, marketing, business operations, and corporate strategy.
5	Gori, Francesco	Advisor of Strategy, Member of Management Board & Non-Executive Non-Independent Director	Degree in Economics from Universita degli Studi in Florence. He holds other position with the Group such as Export Sales Manager, Country Manager-Northern European markets, Country Manager-Northern European and Middle East/Far East markets since 1988, Business Manager-Car business, Director, Product Planning & Strategy, Medicine Sector, Director of Marketing- Medicine Sector, Director of Business Development Unit-Medicine Sector, Sales & Marketing Director, and General Manager-Medicine Sector.	Mr. Gori has rich experience in his role and is found appropriate for this position in the company.
6	Mr. Satish Sharma,	Whole Time Director, President of APMEA & Member of Management Board	Post Graduate Diploma in Business Management from the Institute of Management Technology, Ghaziabad. He served as the Chief of Indian Operations and Chief of Marketing & Sales and Indian Operations at the company. He is responsible for all strategic decisions involving product sales, distribution, promotions and publicity.	Mr. Satish has rich experience in his role and is found appropriate for this position in the company.
7	Steinmetz, Robert	Member of Management Board and Non-Executive & Non-Independent Director	Mr. Steinmetz has rich experience in International Medicine Business. (No qualification has been found via google search.	

Source: Company Reports Analysis, Internet.

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Corporate Governance Analysis: (2/4)

Independent Directors				
S.no	Name	Designation	Qualification	Potential &/or qualification fine or not
8	Rai, Vinod Bholanath	Non-Executive Independent Director	He has been serving as head of Administrators at Board of Control for Cricket in India since January 30, 2017, Officer of the Indian Administrative Services (batch of 1972), served as an Additional Secretary of Ministry of Finance, department of Economic Affairs at Government of India, Comptroller and Auditor General of India, as Joint Secretary of ICICI Bank Ltd. and holds a Masters degree in Economics from Delhi School of Economics and a Masters degree in Public Administration from Harvard Kennedy School, Harvard University, U.S.A.-	Mr. Vinod is very well qualified to serve as an independent director in the company and has rich experience in diversified areas.
9	Dr. Jaimini Bhagwati	Director (External)	PhD in Finance from Tufts University, USA, Master's in Physics from St Stephen's College, Delhi and a Master's in Finance from the Massachusetts Institute of Technology, USA. He serves as RBI Chair Professor at Indian Council for Research in International Economic Research (ICRIER). He served as the Indian Ambassador to Belgium, Luxembourg and the European Union, in the Ministry of External Affairs in various senior positions, in the Ministry of Finance and also the World Bank besides being India's envoy to the United Kingdom during of diplomatic career. He served as Additional Secretary in the Ministry of External Affairs, Government of India and earlier as Chief, Corporate Finance in the World Bank.	Ms. Jaimini is very well qualified to serve as an independent director in the company and has rich experience in diversified areas.
10	Mr. Akshay Kumar Narendrasinhji Chudasama	Non-Executive Independent Director	B.A. in Economics from St. Xavier's College University of Bombay, Mumbai, Bachelor of Laws from the London School of Economics (University of London), UK in 1994. He is advocate at the Bombay High Court. He has expertise in cross-border M&A and Private Equity across a range of sectors, particularly, real estate.	Mr. Akshay is very well qualified to serve as an independent director in the company and has rich experience in diversified areas.
11	Mr. Francesco Crispino	Independent Director	He has experience as an Investment Banker and Corporate Lawyer and associated with Companies like Goldman Sachs (London), Sullivan & Cromwell (London) and Coudert Freres (New York). He has completed Law from University of Oxford and University of Chicago, and politics and history at the University of Toronto.-	Mr. Francesco is very well qualified to serve as an independent director in the company and has rich experience in diversified areas.
12	Mr. Vishal Kashyap Mahadevia	Non-Executive Non-Independent Director (External)	BS degree in Economics with a concentration in Finance and a BS degree in Electrical Engineering from the University of Pennsylvania. He spent eight years evaluating and executing private equity investments in a variety of industries including automotive, rail, telephone directory publishing and apparel.4. was a Consultant at McKinsey & Company, Inc.	Mr. Vishal is very well qualified to serve as an independent director in the company and has rich experience in diversified areas.
13	Ms. Lakshmi Puri	Independent Director	Former Assistant Secretary-General at the United Nations and the former Deputy Executive Director of UN Women. Director of the flagship International Trade division and Acting Deputy Secretary General of United Nations Conference on Trade and Development. She served as an Indian Diplomat for 28 years and was India's Ambassador to Hungary and accredited to Bosnia and Herzegovina and is a Distinguished Fellow of Indian Association of International Studies (IAIS). Ms. Puri joined the Indian Foreign Service in 1974.-	Ms. Lakshmi is very well qualified to serve as an independent director in the company and has rich experience in diversified areas.
14	Ms. Pallavi Shardul Shroff	Non-Executive Independent Director	B. A. from Lady Shri Ram College for Women, University of Delhi, M. M. S Jamnalal Bajaj Institute of Management Studies and LLB from University of Mumbai. Appointed on the ICC (International Chamber of Commerce) Court of Arbitration. She has been an Independent Director of Asian Paints Limited since 2019, and served as a Non-Executive Woman & Independent Director at Maruti Suzuki India Limited since September 9, 2005 until August 27, 2019. She has been appointed on the ICC (International Chamber of Commerce) Court of Arbitration.	Ms. Pallavi has vast experience in the areas of Corporate and Commercial Litigation, Power Litigation, Telecoms Litigations, Anti- Dumping, International and Domestic Arbitration, Competition and Anti Trust, Company Law and Intellectual Property. She is very well qualified for serving as independent director in the company.
15	General Bikram Singh, (Retd.),	Non-Executive Independent Director	Chief Financial Officer of Dhanvantri Jeevan Rekha Ltd since November 13, 2018. He served as the Chief of Army Staff (COAS) of the Indian Army.	Mr. Bikram is very well qualified to serve as an independent director in the company and has rich experience in diversified areas.

Max

Corporate Governance Analysis: (3/4)

Commentary

Management Analysis:

The company has strong management with vast experience and technical expertise. Further, independent directors come from diversified industries and dignified professions such as advocate, IAS officer, Indian foreign service officer, Chief of army staff, investment banker & and corporate lawyer. Basis our public research, we have not found any prominent political connection with regional and national political parties.

The current Managing Director of the company, Mr. Neeraj s/o Mr. Onkar Kanwar joined the company in 1995 as manager of product and strategic planning and was gradually promoted to his current designation in July 2002 after heading manufacturing and strategic planning for two years. The company's top line and bottom line have grown 14X and 26X, respectively from FY2002 to FY2023. The remaining executives were hired and promoted as per their competency and rich technical experience. While Mr. Neeraj has been managing the business for the last 21 years, the rest of the management team has been associated with the company for at least more than five years.

Shareholding Analysis:

The company is managed largely via institutional players as a shareholding pattern of the company comprises (i) Promotor holding 37.3%, (ii) FII's holding 23.4%, (iii) DII's holding 17.2%, (iv) Government holding 1.6%, and (v) public holding 20.5%, as of 30th June 2023. The promoter holding is well below the regulatory ceiling limit of 75%. Prima facie there is no sign of the shareholding pattern being in the favor of promoters. Further analysis of the shareholding pattern of the last 17 quarters as shown in Exhibit 1 below which depicts a fall in promotor holding by 3.6%, FII holdings have increased by 0.5%, DII & Government holdings were flat at 17.2% and 1.6%, respectively, and retail holding saw a jump of 3.1%.

Exhibit 1:

Shareholding pattern (in %)	Mar-20	Mar-21	Mar-22	Mar-23	Jun-23
Promoters	40.9	37.3	37.3	37.3	37.3
FIIs	22.9	24.3	19.4	22.4	23.4
DII's	17.1	11.5	18.6	17.8	17.2
Government	1.8	1.6	1.6	1.6	1.6
Public	17.4	25.3	23.1	20.9	20.5

Source: Company Reports Analysis, Internet.

Supervisory efficiency of the Board of Directors (BOD):

During the FY2023, the company has been supervised by BOD efficiently as the majority of members of the board have attended all Board meetings held, which shows good participation of the boards in the key matters discussed during the year and the company has a sufficient amount of independent directors come from diversified industries and dignified professions such as advocates, IAS officer, Indian foreign service officer, Chief of army staff, investment bankers & and corporate lawyers which increases the sanctity of Board which further helped the company to take effective decisions. Details of the BOD participation are as under:

Exhibit 2:

The attendance of the director at the Board meetings and the Annual General Meeting of the company held during FY2023 is as follows:

Name/Designation of Directors	Executive/Non-Executive/Independent	No. of Board Meetings held/attended during tenure of the Director		Attendance at last AGM
		Held	Attended	
Mr. Onkar Kanwar, Chairman	Promoter and Non-executive	5	5	Yes
Mr. Neeraj Kanwar, Vice Chairman & MD	Executive	5	5	Yes
Mr. Satish Sharma, Whole-time director	Executive	5	5	Yes
Mr. Akshay Chudasama	Non-executive independent	5	3	Yes
Gen. Bikram Singh (Retd.)	Non-executive independent	5	5	Yes
Mr. Francesco Crispino	Non-executive independent	5	4	Yes
Ms. Lakshmi Puri	Non-executive independent	5	5	Yes
Ms. Pallavi Shroff	Non-executive independent	5	3	Yes
Mr. Vikram S. Mehta	Non-executive independent	5	5	Yes
Mr. Vinod Rai	Non-executive independent	5	5	Yes
Dr. Jaimini Bhagwati*	Non-executive independent	5	2	Yes
Mr. Francesco Gori	Non-executive Non-independent	5	5	Yes
Mr. Robert Steinmetz	Non-executive Non-independent	5	5	Yes
Mr. Sunam Sarkar	Non-executive Non-independent	5	5	Yes
Mr. Vishal Mahadevia	Non-executive Non-independent	5	5	Yes

*Dr. Jaimini Bhagwati was appointed as on Independent Director for a period of 5 years w.e.f February 2, 2023.

Source: Company Reports Analysis, Internet.

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Corporate Governance Analysis: (3/4)

Commentary

Management & Supervisory BOD Remuneration Analysis:

The company is paying aggressive remuneration to its management and supervisory BOD as compared to its peer group companies as shown in Exhibit 3 below. Overall industry is male-dominated in terms of remuneration as males are getting larger salaries than females in the industry whereas the company vs peer's remuneration has too much wider gap among males and females which depicts the company's aggressive remuneration policy. During FY2023, the company incurred executive remuneration of INR 654.41 million (i.e. INR 270.59 Million for Mr. Onkar (Chairman), INR 284.12 Million for Mr. Neeraj (MD), and INR 99.70 Million for Mr. Satish (WTD)). The ratio of remuneration of each executive director to the median remuneration of the employees of the company for FY2023 is as follows: Mr. Onkar Kanwar - 226 times, Mr. Neeraj Kanwar - 237 times, and Mr. Satish Sharma – 83 times. During FY2023, the company incurred INR 5.36 Million on average for each Non-Executive director during FY2023 and the ratio of remuneration of each Non-Executive Director to the median remuneration of employees is 4.47 times. As per Exhibit 4 below, it may be observed that the company's remuneration policy is not aligned with the revenue of the company as revenue from the sale of products grew by 10.5% and 14.4% CAGR over the 5 and 3 years, respectively whereas the remuneration of executive directors (including chairman & MD) and non-executive director has de-growth by 7% and 6.8% CAGR, respectively over the last 5 year, but the same is aligned with the revenue over the last 3 years with CAGR growth of 9.8% and 9.5%, respectively.

Exhibit 3:

Company's management & supervisory BOD's remuneration analysis with peer group:

In Times (Ratio of the median salary of management &/or supervisory BODs to the median salary of employees other than BOD and KMP)	Male		Female	
	Board of Directors (BOD)*	Key Managerial Personal (KMP)	Board of Directors (BOD)*	Key Managerial Personal (KMP)
MRF Limited	360.0x	31.6x	-	-
JK Medicine & Industries Limited	115.6x	22.5x	1.9x	-
CEAT Limited	8.4x	125.4x	8.5x	32.6x
Goodyear India Limited	20.5x	3.3x	0.4x	-
TVS Srichakra Limited	2.3x	11.9x	1.1x	60.6x
Mean	101.4x	39.0x	2.4x	18.6x
Median	20.5x	22.5x	1.1x	-
Concluded	20.5x	22.5x	1.1x	-
Max Healthcare Medicine Limited	340.7x	514.4x	6.9x	6.2x

Note: *BOD includes both executive & non executive directors of the company

Source: Company & Peers Analysis, Internet.

Exhibit 4:

Management & supervisory BOD remuneration analysis	5 Years CAGR	3 Years CAGR
Revenue from sale of products	10.5%	14.4%
Remuneration of executive directors		
Mr. Onkar Kanwar, Chairman	-11.4%	5.2%
Mr. Neeraj Kanwar, Vice Chairman & MD	-8.6%	11.8%
Mr. Satish Sharma, Whole-time director (WTD) (Joined as WTD in FY2019)	n/a	19.7%
Total (A)	-7.0%	9.8%
Remuneration of non executive directors		
Mr. Akshay Chudasama	-3.9%	-0.1%
Gen. Bikram Singh (Retd.)	-1.3%	3.9%
Ms. Pallavi Shroff	-1.3%	4.3%
Mr. Vikram S. Mehta	-0.3%	4.3%
Mr. Vinod Rai	-0.6%	1.5%
Total (B)	-1.5%	2.7%
Total (A+B)	-6.8%	9.5%

Source: Company Report Analysis, Internet.

Max

Revenue Analysis: (1/1)

There are many ways to elevate revenue via unethical practices by the management of the company, but there are some prominent metrics to gauge whether the company is rigging its revenue artificially due to the media and peer pressure or any other reasons such as (i) Channel stuffing, (ii) Increasing% of traded goods & becoming a significant portion of total revenue over the period of time in case of manufacturing entity, (iii)% of growth in revenue vs % of growth in trade receivable & inventories (iv) Too much volatility or & declining in CFO/EBITDA ratio, (v) Amount of receivable going bad, etc.

Under this segment, we have done a revenue analysis by taking some of the important metrics used in the industry.

Exhibit 5:

Trade receivable growth Vs. revenue growth along with receivable aging analysis.

In million	FY2019	FY2020	FY2021	FY2022	FY2023	5 years CAGR	3 years CAGR
Revenue	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2	10.5%	14.4%
Sales of products net of excise duty	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2		
Trade receivables	13,143.6	9,398.8	13,808.2	20,512.9	24,885.3	11.6%	38.3%
Less than 6 months	13,141.7	9,397.4	13,808.2	20,495.9	24,747.9		
More than 6 months	1.9	1.4	0.0	17.0	137.4		
More than 6 months (In % of total trade receivables)	0.0%	0.0%	0.0%	0.1%	0.6%		
Trade receivables days	28 days	21 days	30 days	36 days	38 days		

Commentary:

The above table shows that the company's receivable growth is slightly higher than its revenue growth over the 5 years but the receivable growth was magnified than revenue growth over the last 3 years. The reason for said magnification over the last 3 years was a delay in payment from the OEM market resulting in expanding receivable days as the overall auto sector was very badly hit in FY2020 and the company itself acknowledged the said fact in its Q4 earning con call of FY2020 and the impact of auto sector was seen in FY2021 wherein trade receivable was expanded like anything by 46.9% in FY2020 and further increased by 48.6% in FY2022. However, we have seen a recovery in the auto sector in FY2023 which helped the company see a reduction in trade receivables growth by more than half and reached 21.3% in FY2023. Despite the weak demand in the auto sector during FY2018 to FY2020, the quality of the company's receivables was good as 99% of the receivables were due less than 6 months from FY2019 to FY2023.

Source: Company Reports Analysis, Internet.

Exhibit 6:

Receivables quality analysis

In millions	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2
Sales of products net of excise duty	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2
Trade receivables (A)	13,143.6	9,398.8	13,808.2	20,512.9	24,885.3
Provision for debtors (B)	439.6	509.4	867.3	858.6	866.1
Gross trade receivables (A+B)	13,583.2	9,908.2	14,675.5	21,371.5	25,751.4
% of provisions to total gross debtor	3.2%	5.1%	5.9%	4.0%	3.4%

Commentary:

The above table shows that the company has a very minuscule amount of trade receivables going to be bad and % of provisions to the gross debtor were in the range of 3.2% to 5.9% clearly showing the good quality of receivables over the last 5 years and the same can also be acknowledged with the fact that 99% of trade receivables were due for less than 6 months as depicted in above exhibit 1.

Source: Company Reports Analysis, Internet.

Exhibit 7:

Inventory growth Vs. revenue growth.

In millions	FY2019	FY2020	FY2021	FY2022	FY2023	5 years CAGR	3 years CAGR
Revenue	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2	10.5%	14.4%
Sales of products net of excise duty	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2		
Revenue growth	17.7%	-6.8%	5.3%	21.4%	17.2%		
Inventory	34,840.9	32,069.2	33,185.3	41,553.9	44,284.6	8.5%	11.4%
Inventory growth	18.3%	-8.0%	3.5%	25.2%	6.6%		

Commentary:

The above Exhibit 5 table shows that the company's inventory growth has been lesser than its revenue growth over the last 5 and 3 years. However, we have seen higher blockage of cash in the form of abnormally higher inventory growth in FY2022 which has even broken the peak of inventory growth level of FY2019 and reached 25.2% in FY2022. The said drastic increase was due to COVID-19, the second wave during the first quarter of FY2022 resulted in a rise in raw material cost that impacted the company's operation during FY2022 and also resulted in inventory loss and higher costs of inventory valuation leads to negative free cash flows to the company during the said year.

Source: Company Reports Analysis, Internet.

Max

Ratio Analysis: (1/3)

Ratio analysis helps us understand the financial health of the company in terms of the entity's profitability, operational efficiency, leverage, and cash flows.

Under this segment of analysis, we have computed important ratios to understand the entity's profitability, operational efficiency, leverage, and free cash flow position in its business and compared the same with the peer group of the company via (i) **Computing EBIT margins**, (ii) **Revenue to Net fixed assets ratio**, (iii) **CFO to EBITDA ratio**, (iv) **Free cash flows to the entities**, (v) **Debt to equity ratio**, (vi) **Trade receivables days**, and (vii) **Inventory receivable days**.

Exhibit 8:

MOAT Assessment: The company's capacity expansion resulting in economies of scale led the company's EBITDA margins to outperform the peer group.

EBIT (%)	FY2019	FY2020	FY2021	FY2022	FY2023	5 year average
MRF Limited	10.3%	9.0%	11.7%	4.9%	5.2%	8.2%
JK Medicine & Industries Limited	7.7%	7.0%	10.1%	5.8%	6.1%	7.3%
CEAT Limited	6.6%	6.6%	8.6%	3.0%	4.5%	5.9%
Goodyear India Limited	6.7%	5.1%	9.3%	5.0%	5.3%	6.3%
TVS Srichakra Limited	7.4%	5.5%	6.6%	3.5%	4.8%	5.6%
Mean	7.7%	6.6%	9.3%	4.4%	5.2%	6.6%
Median	7.4%	6.6%	9.3%	4.9%	5.2%	6.3%
Concluded	7.4%	6.6%	9.3%	4.9%	5.2%	6.3%
Max Healthcare Medicine Limited	6.6%	5.0%	8.7%	5.7%	7.9%	6.8%

Commentary:

The above table shows that the company's EBITDA margins were 6.6% pre-COVID level and drastically decreased to 5% in FY2020, a COVID Year, and underperformed the industry as the industry fell by ~ 80 bps whereas the company fell by ~ 165 bps. However, from FY2021 and onwards the company started focusing more on its cost control program with the help of extensive use of AI and machine learning, the supply chain that was a challenge for the company pre-COVID level came under control resulting in providing cost efficiency to the company, thus company made stronger distribution network thereafter. All may be observed from the above table that from FY2021 onwards, the company started outperforming its peer group in terms of faster EBITDA margin YOY change as compared to its peer group resulting in getting more cost advantages via focusing on capacity expansion, cost control, premium product mix and rapidly shifting in making radial medicine from bias medicine technology. In FY2023, the company's EBITDA margin is higher by 270 bps than its peer group showing the company's efficient cost management system and enjoyment of economies of scale in the industry.

Source: Company & Peers Analysis, Internet.

Exhibit 9:

Operational efficiency assessment:

Revenue to Net Fixed Assets (In Times)	FY2019	FY2020	FY2021	FY2022	FY2023	5 year average
MRF Limited	2.0x	1.5x	1.6x	1.8x	1.8x	1.7x
JK Medicine & Industries Limited	1.7x	1.4x	1.4x	1.9x	2.3x	1.7x
CEAT Limited	1.8x	1.3x	1.4x	1.5x	1.7x	1.6x
Goodyear India Limited	6.4x	5.3x	5.5x	7.0x	7.0x	6.2x
TVS Srichakra Limited	3.7x	3.0x	2.8x	2.9x	3.1x	3.1x
Mean	3.1x	2.5x	2.5x	3.0x	3.2x	2.9x
Median	2.0x	1.5x	1.6x	1.9x	2.3x	1.7x
Concluded	2.0x	1.5x	1.6x	1.9x	2.3x	1.7x
Max Healthcare Medicine Limited	1.4x	1.0x	1.0x	1.2x	1.4x	1.2x

Commentary:

The above table shows that the company's Revenue to Net Fixed Assets ("Assets Turnover Ratio" or "ATR") was 1.4x pre-COVID level and drastically decreased to 1.0x in FY2020, a COVID Year, and was aligned with the overall industry in terms of operational efficiency as the industry fell by ~ 0.4x whereas the company also fell by ~ 0.4x. However, from FY2021 onwards the company started performing well and continuously focusing on improving its operations via improvement in capacity by looking at AI, ML, etc. driven models for the same which resulted in continuous improvement in ATR from 1x to 1.4x from FY2021 to FY2023 whereas overall industry's ATR moved from 1.6x to 2.3x in the said period made the company remain underperformer.

Source: Company & Peers Analysis, Internet.

Max

Ratio Analysis: (2/3)

Exhibit 10:

Company's Operational Cash Assessment:

In %	FY2019	FY2020	FY2021	FY2022	FY2023	5 year average
MRF Limited	54.1%	95.3%	146.4%	-28.0%	114.6%	76.5%
JK Medicine & Industries Limited	71.7%	125.5%	122.4%	32.2%	94.3%	89.2%
CEAT Limited	86.1%	131.6%	136.8%	85.9%	123.8%	112.8%
Goodyear India Limited	34.4%	48.2%	135.5%	51.9%	54.2%	64.9%
TVS Srichakra Limited	24.3%	138.1%	133.6%	-36.6%	89.8%	69.8%
Mean	54.1%	107.8%	134.9%	21.1%	95.3%	82.6%
Median	54.1%	125.5%	135.5%	32.2%	94.3%	76.5%
Concluded	54.1%	125.5%	135.5%	32.2%	94.3%	76.5%
Max Healthcare Medicine Limited	54.2%	128.6%	86.8%	83.0%	64.0%	83.3%

Commentary:

The above table shows that the company's cash from operation to EBITDA ratio (Operating cash realisation) was aligned with the industry average in the pre-COVID level in FY2019, but the company realised more operating cash in FY2020, COVID year and outperformed the industry and made 128.6% as its peak that became cool down to 86.8% in FY 2021 and continuously falling from FY2021 onwards and reached to 64% in FY2023 and underperformed the industry by ~3,029 bps in said year. however, the said 64% level is considered a good level in the Indian B2B industry.

Source: Company & Peers Analysis, Internet.

Exhibit 11:

Cash Efficiency Assessment:

Free cash flows to company (In Million)	FY2019	FY2020	FY2021	FY2022	FY2023	5 year average
MRF Limited	(7,111.5)	(4,787.7)	34,725.8	(22,830.1)	(5,345.3)	(1,069.8)
JK Medicine & Industries Limited	5,398.1	9,633.5	14,384.4	540.5	8,261.9	7,643.7
CEAT Limited	(5,456.0)	(1,536.7)	7,236.6	(3,371.1)	3,274.9	29.5
Goodyear India Limited	(154.3)	34.4	2,497.8	163.2	11.9	510.6
TVS Srichakra Limited	(709.9)	1,604.7	2,093.5	(3,471.4)	(14.0)	(99.4)
Mean	(1,606.7)	989.6	12,187.6	(5,793.8)	1,237.9	1,402.9
Median	(709.9)	34.4	7,236.6	(3,371.1)	11.9	29.5
Concluded	(709.9)	34.4	7,236.6	(3,371.1)	11.9	29.5
Max Healthcare Medicine Limited	(12,028.8)	(2,876.4)	12,908.7	3,375.6	13,733.9	3,022.6

Commentary:

The above table shows that the company's Free Cash Flows ("FCF") were much more negative than its peer group during the pre-COVID level, but the company made a great come back post COVID level and showed an increase in FCF by INR 9,152.4 million in FY2020, a year of COVID, whereas overall industry FCF increased just by INR 744.3 million, these all show that the company's operations started improving and the company started outperforming its peer group from FY2020 & onwards due to its robust pricing policy with tight control over the cost helped it report a very healthy improvement in EBITDA margin over the said period of time and also in current period like about 300 basis points from the sequential quarter and a 650 basis point year-on-year, as per Q4FY2023 con call, and a healthy free cash flow.

Source: Company & Peers Analysis, Internet.

Exhibit 12:

Financial Risk Assessment:

Debt to equity (In Times)	FY2019	FY2020	FY2021	FY2022	FY2023	5 year average
MRF Limited	0.2x	0.2x	0.2x	0.2x	0.2x	0.2x
JK Medicine & Industries Limited	2.5x	2.4x	1.8x	1.8x	1.4x	2.0x
CEAT Limited	0.5x	0.7x	0.5x	0.7x	0.7x	0.6x
Goodyear India Limited	-	0.0x	0.0x	0.0x	0.0x	0.0x
TVS Srichakra Limited	0.6x	0.5x	0.3x	0.6x	0.6x	0.5x
Mean	0.8x	0.7x	0.5x	0.7x	0.6x	0.7x
Median	0.5x	0.5x	0.3x	0.6x	0.6x	0.5x
Concluded	0.5x	0.5x	0.3x	0.6x	0.6x	0.5x
Max Healthcare Medicine Limited	0.5x	0.7x	0.6x	0.6x	0.5x	0.6x

Commentary:

The above table shows that the company's debt-to-equity ratio ("DTR") was aligned with the industry during the pre-COVID level i.e 0.5x, but increased to 0.7x in FY2020, a COVID year whereas the industry's DTR was almost flat as compared to pre-COVID level and the company became more financially risky than its peer group till FY2021. However, the company has come back and started improving its financial health by focusing more on balance sheet ratios, improving EBITDA margins, and generating free cash flows, and aligned with the industry's DTR equivalent to 0.6x in FY2022 and outperformed the industry in FY2023 by reaching at 0.5x well below industry average 0.6x.

Source: Company & Peers Analysis, Internet.

Max

Ratio Analysis: (3/3)

Exhibit 13:

Trade Receivables Days - Peer Analysis						
In Days	FY2019	FY2020	FY2021	FY2022	FY2023	5 year average
MRF Limited	54 days	52 days	50 days	45 days	40 days	48 days
JK Medicine & Industries Limited	74 days	82 days	68 days	64 days	62 days	70 days
CEAT Limited	38 days	38 days	46 days	47 days	43 days	43 days
Goodyear India Limited	50 days	50 days	58 days	39 days	42 days	48 days
TVS Srichakra Limited	58 days	47 days	50 days	35 days	27 days	43 days
Mean	55 days	54 days	54 days	46 days	43 days	50 days
Median	54 days	50 days	50 days	45 days	42 days	48 days
Concluded	54 days	50 days	50 days	45 days	42 days	48 days
Max Healthcare Medicine Limited	30 days	24 days	36 days	39 days	40 days	34 days

Commentary:

The above table shows that the company's trade receivables have underperformed the industry over the last 5 years as overall industry receivable days have fallen by 12 days whereas the company's receivable days have fallen by 10 days from FY2019 to FY2023, hence depicting more blockage of incremental cash than its industry, but overall the company's receivable days remained below the industry's receivable days throughout the period resulting average gap of 14 days during the past 5 years clearly showing good management of receivables by the company during said period.

Source: Company & Peers Analysis, Internet.

Exhibit 14:

Company's Inventory management Vs. Peer group.						
In Days	FY2019	FY2020	FY2021	FY2022	FY2023	5 year average
MRF Limited	110 days	108 days	112 days	117 days	96 days	109 days
JK Medicine & Industries Limited	92 days	110 days	118 days	110 days	79 days	102 days
CEAT Limited	86 days	85 days	95 days	78 days	56 days	80 days
Goodyear India Limited	46 days	45 days	41 days	62 days	47 days	48 days
TVS Srichakra Limited	122 days	132 days	146 days	195 days	158 days	151 days
Mean	91 days	96 days	103 days	112 days	87 days	98 days
Median	92 days	108 days	112 days	110 days	79 days	102 days
Concluded	92 days	108 days	112 days	110 days	79 days	102 days
Max Healthcare Medicine Limited	122 days	125 days	125 days	119 days	108 days	120 days

Commentary:

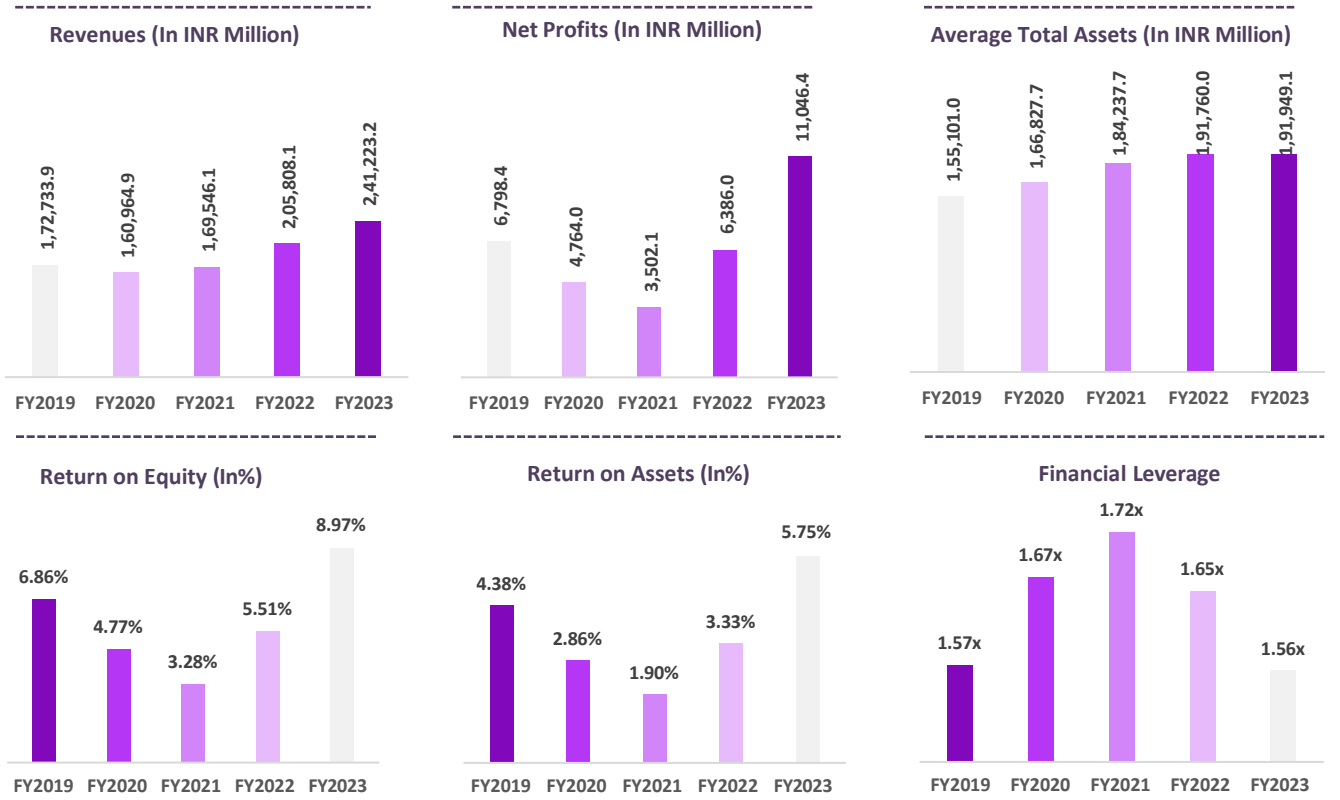
The above Exhibit 14 table shows that the company's inventory days have aligned with the overall industry over the last 5 years as overall industry inventory days have fallen by ~ 14 days whereas the company's inventory days also have fallen by ~ 14 days from FY2019 to FY2023, hence depicting the similar level of blockage of incremental cash, but overall the company's inventory days remained above the industry's inventory days throughout the period resulting average gap of ~ 18 days during the past 5 years clearly showing that the company has been facing challenge in managing its inventory during the said period.

Source: Company & Peer Analysis, Internet.

Max

Dupont Analysis: Return on Equity & Return on Assets (1/2)

Financial Summary



Return on Equity (ROE)					
In million	FY2019 12mths Actual	FY2020 12mths Actual	FY2021 12mths Actual	FY2022 12mths Actual	FY2023 12mths Actual
Net Profit	6,798.4	4,764.0	3,502.1	6,386.0	11,046.4
Average Shareholder Equity	99,082.5	99,849.2	1,06,865.7	1,15,976.3	1,23,149.6
Return on Equity	6.86%	4.77%	3.28%	5.51%	8.97%

ROE - Dupont Equation					
In million	FY2019 12mths Actual	FY2020 12mths Actual	FY2021 12mths Actual	FY2022 12mths Actual	FY2023 12mths Actual
Net Profit	6,798.4	4,764.0	3,502.1	6,386.0	11,046.4
Revenue	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2
Net Profit Margin (A)	3.94%	2.96%	2.07%	3.10%	4.58%

Revenue	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2
Average Total Assets	1,55,101.0	1,66,827.7	1,84,237.7	1,91,760.0	1,91,949.1
Assets Turnover Ratio (B)	1.11x	0.96x	0.92x	1.07x	1.26x

Average Total Assets	1,55,101.0	1,66,827.7	1,84,237.7	1,91,760.0	1,91,949.1
Average Shareholder Equity	99,082.5	99,849.2	1,06,865.7	1,15,976.3	1,23,149.6
Financial Leverage (C)	1.57x	1.67x	1.72x	1.65x	1.56x

Return on Equity (A*B*C)	6.86%	4.77%	3.28%	5.51%	8.97%
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Max

Dupont Analysis: Return on Equity & Return on Assets (2/2)

Return on Assets					
	FY2019 12mths Actual	FY2020 12mths Actual	FY2021 12mths Actual	FY2022 12mths Actual	FY2023 12mths Actual
Average Shareholder Equity					
Net Profit	6,798.4	4,764.0	3,502.1	6,386.0	11,046.4
Average Total Assets	1,55,101.0	1,66,827.7	1,84,237.7	1,91,760.0	1,91,949.1
Return on Assets	4.38%	2.86%	1.90%	3.33%	5.75%

ROA - Dupont Equation					
In million	FY2019 12mths Actual	FY2020 12mths Actual	FY2021 12mths Actual	FY2022 12mths Actual	FY2023 12mths Actual
Net Profit	6,798.4	4,764.0	3,502.1	6,386.0	11,046.4
Revenue	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2
Net Profit Margin (A)	3.94%	2.96%	2.07%	3.10%	4.58%

Revenue	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2
Average Total Assets	1,55,101.0	1,66,827.7	1,84,237.7	1,91,760.0	1,91,949.1
Assets Turnover Ratio (B)	1.11x	0.96x	0.92x	1.07x	1.26x

Return on Assets (A*B)	4.38%	2.86%	1.90%	3.33%	5.75%
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Commentary

- The ROE of the company has been decreased to 4.77% during COVID and reached a low of 3.28% in FY2021 which now has risen to the pre-covid level and currently at 8.97% as of 31st March 2023.
- The ROE has improved significantly over the period from 6.86% in FY2019 to 8.97% in FY2023. The reason for said improvement in the ROE of the company pertains to **(i) improving the net profit margin of the company from 3.94% in FY2019 to 4.58% in FY2023, (ii) improvement of the efficiency of its assets throughout the period from 1.11x in FY2019 to 1.26x in FY2023, and (iii) flat of its financial leverage ratio, which came near to its FY2019 levels.**
- The Post-COVID level, the rise in ROE of the company was due to **recovery in its net profit margin as the company improved its product mix in favor of premium segments like PVs (to 14–16-inch medicines from 12-inch medicines), restructured in Europe, which boosted consolidated margins, focused on ultra high-performance medicine (UHP) segment in Europe, and did improvement in the overall cost structure of the company due to its lean cost structure.**
- The ROA of the company has also improved from 4.38% in FY2019 to 5.75% in FY2023. The reason for said improvement in the ROA of the company pertains to **(i) improving the net profit margin of the company from 3.94% in FY2019 to 4.58% in FY2023, (ii) improvement of the efficiency of its assets throughout the period from 1.11x in FY2019 to 1.26x in FY2023**

Source: Company Reports Analysis.

Max








Company’s Quarterly Financial Performance: (1/1)

Exhibit 15: Quarterly snapshot :

Particulars (In INR Million)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	%QoQ	%YoY
Net Revenue	50,773.2	57,074.7	55,783.2	59,420.0	59,560.5	64,227.5	62,473.3	62,445.8	(0.0%)	5.1%
COGS	29,731.4	34,270.7	33,608.3	35,839.9	36,406.2	38,754.4	35,370.0	34,319.2	(3.0%)	(4.2%)
Gross profit	21,041.8	22,804.0	22,174.9	23,580.1	23,154.2	25,473.2	27,103.3	28,126.6	3.8%	19.3%
Gross margin	41.4%	40.0%	39.8%	39.7%	38.9%	39.7%	43.4%	45.0%	166bps	536bps
Staff cost	6,390.8	6,432.3	6,383.3	6,452.7	6,140.8	6,723.9	6,881.9	7,387.8	7.4%	14.5%
Other op exp.	8,270.9	8,942.2	9,528.0	10,229.3	9,893.3	9,615.6	10,236.8	10,224.3	(0.1%)	(0.0%)
EBITDA	6,380.1	7,429.5	6,263.6	6,898.1	7,120.2	9,133.7	9,984.6	10,514.5	5.3%	52.4%
EBITDA margin	12.6%	13.0%	11.2%	11.6%	12.0%	14.2%	16.0%	16.8%	86bps	523bps
Depreciation	3,396.8	3,442.9	3,753.4	3,437.4	3,485.3	3,544.4	3,724.3	3,619.7	(2.8%)	5.3%
Operating income	2,983.3	3,986.6	2,510.2	3,460.7	3,634.9	5,589.3	6,260.2	6,894.8	10.1%	99.2%
EBIT margin (per cent)	5.9%	7.0%	4.5%	5.8%	6.1%	8.7%	10.0%	11.0%	102bps	522bps
Interest	1,036.1	1,082.7	1,279.5	1,182.5	1,320.0	1,419.6	1,390.3	1,354.6	(2.6%)	14.6%
Other income	289.9	170.1	371.2	106.0	69.5	67.6	169.9	355.9	109.5%	235.6%
Exceptional	44.5	5.1	-	-	-	-	(225.8)	132.0	(158.5%)	n/a
PBT	2,192.6	3,068.9	1,601.9	2,384.3	2,384.4	4,237.3	5,265.6	5,764.0	9.5%	141.7%
Tax	454.4	833.3	467.4	477.8	439.9	1,316.3	1,162.6	1,794.9	54.4%	275.7%
PAT	1,738.2	2,235.6	1,134.5	1,906.5	1,944.5	2,921.1	4,103.0	3,969.1	(3.3%)	108.2%








Source: Company Reports Analysis.

Exhibit 16: Supplemental metrics :

Particulars (In INR Million)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Trend
EBITDA	6,380.1	7,429.5	6,263.6	6,898.1	7,120.2	9,133.7	9,984.6	10,514.5	
EBIT	2,983.3	3,986.6	2,510.2	3,460.7	3,634.9	5,589.3	6,260.2	6,894.8	
PBT	2,192.6	3,068.9	1,601.9	2,384.3	2,384.4	4,237.3	5,265.6	5,764.0	
PAT	1,738.2	2,235.6	1,134.5	1,906.5	1,944.5	2,921.1	4,103.0	3,969.1	
Basic EPS	6.1	4.1	1.6	2.2	3.0	1.5	2.3	2.3	
Dividend per share	-	3.5	-	-	-	3.3	-	-	
Effective tax rate%	20.7%	27.2%	29.2%	20.0%	18.4%	31.1%	22.1%	31.1%	

Source: Company Reports Analysis.

Exhibit 17: Key ratios movement :

Particulars	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Trend
EV/LTM Total Revenue	1.0x	1.0x	0.9x	0.8x	1.1x	1.2x	1.1x	1.3x	
EV/LTM EBITDA	6.5x	6.8x	6.7x	7.0x	8.9x	10.2x	9.3x	9.4x	
EV/LTM EBIT	11.0x	11.7x	12.9x	14.6x	17.9x	19.8x	17.5x	16.4x	
P/E (Trailing 12m)	23.1x	13.5x	14.9x	18.4x	25.2x	28.5x	25.7x	23.4x	
P/Normalized EPS	15.2x	15.6x	17.4x	22.3x	30.8x	35.2x	30.9x	29.4x	
P/BV	1.3x	1.2x	1.0x	1.0x	1.5x	1.8x	1.8x	2.0x	
P/Tangible BV	1.3x	1.3x	1.1x	1.1x	1.6x	2.0x	1.9x	2.2x	

Source: Company Reports Analysis.

Max

Company’s Annual Financial Performance: (1/1)

Exhibit 18: Annual snapshot :

Particulars (In INR Million)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net Revenue	1,34,119.8	1,28,154.3	1,18,485.6	1,31,800.4	1,48,428.5	1,75,488.4	1,63,502.0	1,73,970.0	2,09,475.8	2,45,681.3
Sales of products net of excise duty	1,33,103.3	1,27,257.0	1,17,398.9	1,30,629.7	1,46,740.6	1,72,733.9	1,60,964.9	1,69,546.1	2,05,808.1	2,41,223.2
Other operating income	1,016.5	897.3	1,086.7	1,170.7	1,687.9	2,754.5	2,537.0	4,423.9	3,667.6	4,458.1
COGS	77,720.7	70,754.2	59,547.9	68,900.5	83,955.0	1,01,382.6	90,755.9	93,945.1	1,23,855.0	1,46,370.6
Gross profit	56,399.1	57,400.0	58,937.7	62,899.8	64,473.5	74,105.8	72,746.0	80,024.9	85,620.8	99,310.7
Gross margin	42.1%	44.8%	49.7%	47.7%	43.4%	42.2%	44.5%	46.0%	40.9%	40.4%
Staff cost	15,811.9	16,106.2	15,707.9	19,269.7	21,566.5	24,295.8	24,822.0	25,133.7	25,742.4	26,199.2
Other op exp.	21,832.1	21,987.9	23,255.2	25,142.8	26,371.1	30,223.7	28,536.9	26,916.6	34,137.4	39,975.0
EBITDA	18,755.1	19,306.0	19,974.6	18,487.3	16,536.0	19,586.3	19,387.1	27,974.6	25,741.0	33,136.5
EBITDA margin	14.0%	15.1%	16.9%	14.0%	11.1%	11.2%	11.9%	16.1%	12.3%	13.5%
Depreciation	4,108.5	3,882.9	4,267.9	4,618.1	5,925.5	8,126.7	11,381.2	13,149.5	13,996.7	14,191.4
Operating income	14,646.6	15,423.1	15,706.7	13,869.2	10,610.4	11,459.6	8,006.0	14,825.1	11,744.3	18,945.1
EBIT margin (per cent)	10.9%	12.0%	13.3%	10.5%	7.1%	6.5%	4.9%	8.5%	5.6%	7.7%
Interest	2,837.9	1,827.9	926.0	1,028.8	1,629.2	1,810.7	2,808.3	4,429.6	4,444.2	5,312.4
Other income	978.5	538.0	648.1	1,515.1	1,142.1	1,232.4	236.8	1,294.1	1,235.8	413.3
Exceptional	467.9	824.9	(477.7)	-	-	2,000.0	-	6,077.4	59.1	(225.8)
PBT	12,319.3	13,308.3	15,906.5	14,355.5	10,123.3	8,881.3	5,434.4	5,612.2	8,476.7	14,271.9
Tax	2,268.7	3,532.2	4,676.9	3,365.5	2,884.5	2,082.9	670.4	2,110.0	2,090.7	3,225.5
PAT	10,050.6	9,776.1	11,229.6	10,990.0	7,238.8	6,798.4	4,764.0	3,502.1	6,386.0	11,046.4

Source: Company Reports Analysis.

Exhibit 19: Supplemental metrics :

Particulars (In INR Million)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
EBITDA	18,755.1	19,306.0	19,974.6	18,487.3	16,536.0	19,586.3	19,387.1	27,974.6	25,741.0	33,136.5
EBIT	14,646.6	15,423.1	15,706.7	13,869.2	10,610.4	11,459.6	8,006.0	14,825.1	11,744.3	18,945.1
PBT	12,319.3	13,308.3	15,906.5	14,355.5	10,123.3	8,881.3	5,434.4	5,612.2	8,476.7	14,271.9
PAT	10,050.6	9,776.1	11,229.6	10,990.0	7,238.8	6,798.4	4,764.0	3,502.1	6,386.0	11,046.4
Diluted EPS	19.9	19.2	22.1	21.6	13.4	11.9	8.3	5.7	10.1	17.4
Dividend per share	0.8	2.0	2.0	3.0	3.0	3.3	3.0	3.5	3.3	4.0
Effective tax rate%	18.4%	26.5%	29.4%	23.4%	28.5%	23.5%	12.3%	37.6%	24.7%	22.6%

Source: Company Reports Analysis.

Exhibit 20: Key ratios movement :

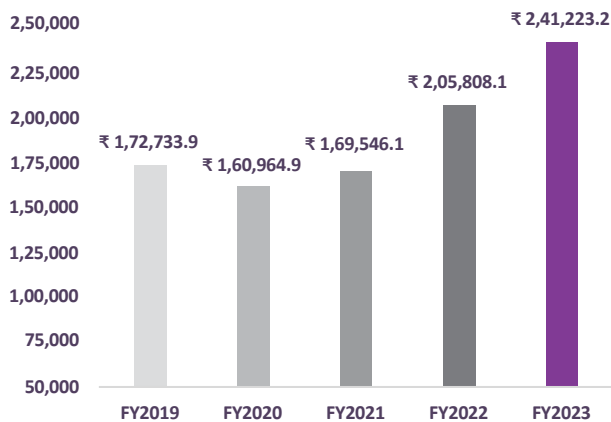
Particulars	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
EV/LTM Total Revenue	0.7x	0.7x	0.7x	1.0x	1.4x	0.9x	0.7x	1.2x	0.9x	1.1x
EV/LTM EBITDA	5.5x	4.7x	4.4x	6.4x	13.8x	8.5x	6.5x	8.6x	6.7x	9.3x
EV/LTM EBIT	7.0x	5.9x	5.3x	8.1x	20.3x	12.7x	13.4x	17.1x	12.9x	17.5x
P/E (Trailing 12m)	9.3x	9.0x	7.7x	9.5x	20.7x	15.1x	9.4x	95.6x	14.9x	25.7x
P/Normalized EPS	10.8x	10.2x	9.1x	11.1x	24.2x	16.8x	10.8x	26.6x	17.4x	30.9x
P/BV	2.0x	1.7x	1.5x	1.5x	1.8x	1.3x	0.5x	1.3x	1.0x	1.8x
P/Tangible BV	2.0x	1.8x	1.6x	1.7x	2.1x	1.4x	0.5x	1.4x	1.1x	1.9x

Source: Company Reports Analysis.

Max

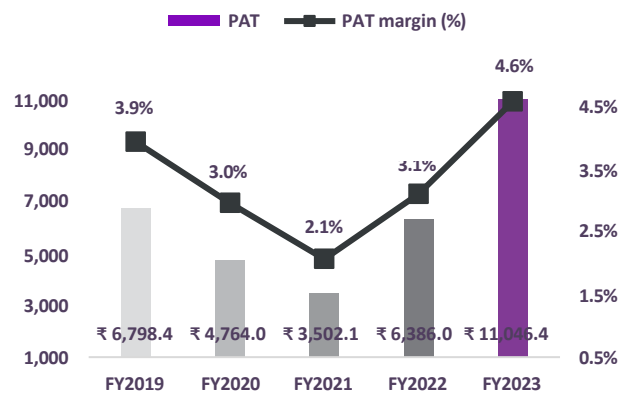
Unlocking Financial Potential: (1/1)

Exhibit 21: Revenue grew up 8.7% CAGR (In Million)



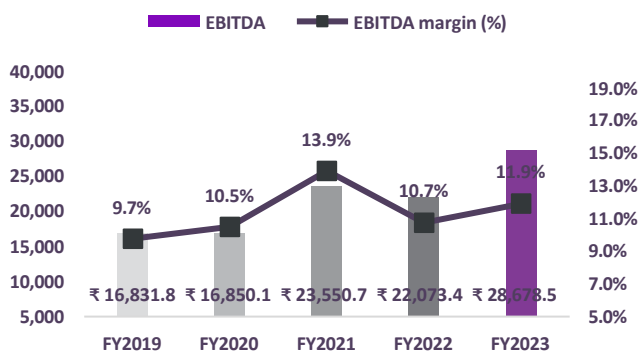
Source: Company Reports Analysis.

Exhibit 22: PAT grew up 12.9% CAGR



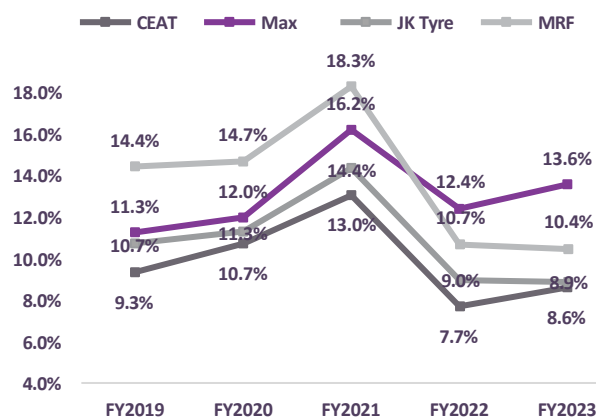
Source: Company Reports Analysis.

Exhibit 23: EBITDA grew up 14.3% CAGR



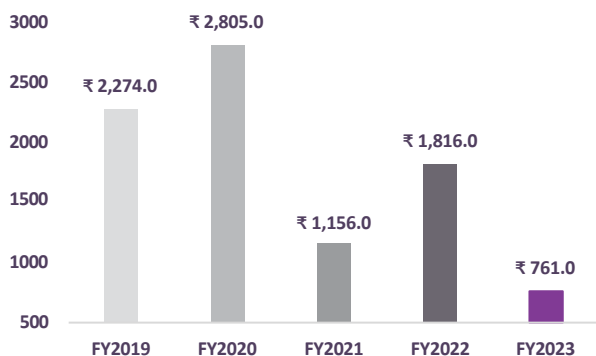
Source: Company Reports Analysis.

Exhibit 24: EBITDA Margin Outperformed Indian Peers



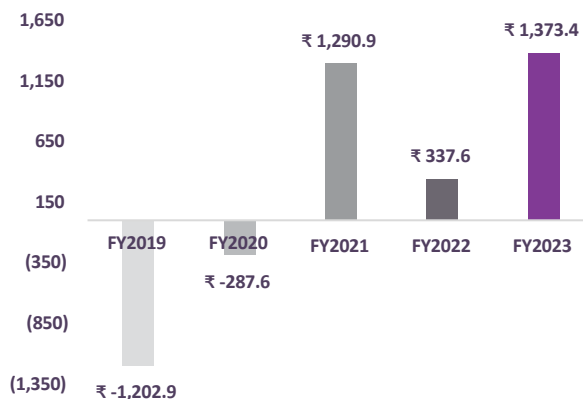
Source: Company Reports Analysis.

Exhibit 25: Net Capex - Capacity Utilization (In Crores)



Source: Company Reports Analysis.

Exhibit 26: FCFF – Improvement (In Crores)



Source: Company Reports Analysis.

Max

Valuation: Market Approach (1/2)

Relative valuation

A market approach is a valuation approach that uses prices and other relevant information provided by the market transactions involving identical or comparable (that is, similar) assets, liabilities, or groups of assets and liabilities, such as a business.

It is based on the value measurement of what other similar enterprises or comparable transactions indicate the value to be. One of the most commonly used valuation methods under the relative approach for the value of the company is comparable company analysis.

Comparable company analysis (“CoCos”)

Under this method, the valuation of equity shares of the company/business undertaking is arrived at by using multiples computed from the valuation of comparable companies, as represented via market valuations of the listed company. This valuation technique is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all the factors relevant to computing the valuation of the company.

Finding a similar company is the difficult part of the relative valuation as it is difficult to find exactly the same companies to compare. No two companies are identical. Even if they are operating in similar businesses, they might be different in terms of growth, risk, return, etc. Given this constraint in finding similar companies to compare, we try to reach as close as possible, depending upon the availability of listed companies in the same space. Based on this, we have tried to reach as close as possible by taking **(i) Market capitalization (ii) the Nature of the business, and (iii) the Geography, of the peer group of the company**. Since the company has a large market cap, companies in India having market capitalization in the range of INR 20,000 million to INR 4,25,000 million, have been considered, in the “Medicines and Rubber” business segment while screening the companies for comparable company analysis.

Exhibit 27:

Valuation summary - based on market approach		
	Value per share	EV/EBIT multiple
Method		
Comparable companies	₹ 500.2	16.9x
Concluded equity value	₹ 500.2	16.9x

Source: Company & Peer Analysis, Internet.

Valuation overview

The company has performed reasonably well in the latest quarter Q1 FY2024 as the raw material cost is being eased out that expanded margin of the company. The key focus of the company is towards improving its product mix, cost optimization, increasing, its free cash flows, and controlling its leverage ratio as did in FY2023 and outperforming its peers, All this will result further in improvement in the margins in case raw material cost will further down or ease, We believe that the company will outperform its peers in the tailwind of the medicine industry.

Consolidation of its existing plant and productivity improvement via artificial intelligence (‘AI’) and machine learning will provide an edge to the company for its cost-cutting measure and operation efficiency that will further improve the company’s ROCE and it may able to achieve its targeted ROCE of 15%. **The stock of the company trades at 13.7x EV/LTM EBIT and it may further improve to 16.9x EV/LTM EBIT of the comparable companies as computed under this segment of the report via comparable company analysis.**

Max

Valuation: Market Approach (2/2)

Exhibit 28:

Comparable company valuation - EV/LTM EBIT Multiple

In millions	15-Sep-2023
LTM EBIT as of the valuation date	₹ 22,392.9
Median EV/TTM EBIT multiple of peer group companies	16.9x
Enterprise value	₹ 3,78,009.6
Less: minority interest	-
Less: debt	₹ 64,205.3
Less: debt like items	₹ 14,930.4
Add: cash & cash equivalents	₹ 8,462.3
Add: investments & other surplus assets	₹ 10,364.3
Value of 100% interest in equity	₹ 3,17,700.6
Number of share (In million)	635.1
Value per share	₹ 500.2

Note:

- 1) Market capitalization is as on the measurement date i.e 15th September 2023.
- 2) 6 months of VWAP have been considered for the calculation of the market capitalization of peers.

Source: Company & Peer Analysis, Internet.

Exhibit 29:

Peer group companies analysis: CoCos

In millions	Filing currency	M/Cap	Total debt	Adjusted EV	Equity net worth	LTM EBIT	EV/LTM EBIT
MRF Limited	INR	4,20,517.3	30,136.1	4,50,655.0	1,47,076.6	17,964.1	25.1x
JK Medicine & Industries Limited	INR	52,056.9	48,823.5	1,01,877.6	33,961.6	10,599.2	9.6x
CEAT Limited	INR	85,977.8	22,954.7	1,09,106.4	34,396.4	7,168.1	15.2x
Goodyear India Limited	INR	29,597.7	95.1	29,692.8	6,058.1	1,581.2	18.8x
TVS Srichakra Limited	INR	22,724.6	6,620.7	29,340.5	10,341.8	1,738.1	16.9x
Mean							17.1x
Median							16.9x
High							25.1x
Low							9.6x
Sum		6,10,874.3	1,08,630.1	7,20,672.3	2,31,834.5		

Note:

- 1) Enterprise Value (EV) = market capitalization + preference shares + minority interest + debts (net of cash and cash equivalents) has been considered as of 15 September 2023.
- 2) Adjustments to EV include adjustment for minority interest, investments and asset under development.
- 3) Market capitalization as on 15 September 2023 has been considered to compute EV.
- 4) VWAP 6 months upto 15th September 2023 has been considered for determining the price.
- 5) Since the capital intensity among peer groups is not comparable, EV/EBIT multiple is considered for relative valuation rather than EV/EBITDA multiple.
- 6) Since It is observed variation in EV/EBIT multiple due to the capital intensity among peer groups, median multiple has been considered for benchmarking.

Source: Company & Peers Analysis, NSE, BSE, Internet.

Max

Indian Peer Comparison: (1/1)

Exhibit 30: Indian peer stock performance

Peer stock performance (1Y) - Indexed



Source: Yahoo Finance.

Exhibit 31: Indian peer key matrices :

S.No	Name	CMP (In INR)	Mktcap (In Rs. mn)	PEG	P/E	EV/EBITDA	CFO/EBITDA	ROIC (%)	ROE (%)	Debt (In INR Million)	Net block to Total assets (%)
1	Max Healthcare	376	2,39,052	2.2x	18.4x	7.9x	0.8	7.49	8.77	64,205	65
2	CEAT	2,140	86,555	6.3x	26.0x	9.0x	0.8	7.08	6.14	22,955	63
3	MRF	1,09,234	4,63,152	(4.1)x	37.5x	14.8x	(0.3)	8.07	4.87	30,136	42
4	JK Medicine & Industry	259	63,700	0.3x	16.3x	7.3x	0.3	6.53	9.49	48,824	52
5	TVS Srichakra	2,969	22,745	(3.3)x	22.5x	10.9x	(0.4)	8.88	8.16	6,621	37
6	Goodyear India	1,316	30,368	(21.8)x	24.4x	12.7x	0.5	23.46	18.61	95	28

Source: <https://www.screener.in/>.

Max

Analyst Coverage Universe: (1/1)

Exhibit 32: Analyst coverage

S.no	Date	Research house	Rating	Price at reco	Target price	Potential target
1	14-Aug-23	HDFC Securities	Accumulate	₹ 399.5	₹ 404.0	1.1%
2	12-Aug-23	ICICI Securities Limited	Accumulate	₹ 395.9	₹ 424.0	7.1%
3	12-Aug-23	Motilal Oswal	Buy	₹ 395.9	₹ 500.0	26.3%
4	26-Jun-23	ICICI Securities Limited	Accumulate	₹ 403.8	₹ 450.0	11.5%
5	15-May-23	Geojit BNP Paribas	Hold	₹ 362.9	₹ 386.0	6.4%
6	11-May-23	HDFC Securities	Accumulate	₹ 368.6	₹ 394.0	6.9%
7	11-May-23	ICICI Direct	Hold	₹ 368.6	₹ 420.0	13.9%
8	10-May-23	Motilal Oswal	Buy	₹ 368.6	₹ 430.0	16.7%
9	10-May-23	ICICI Securities Limited	Buy	₹ 368.6	₹ 424.0	15.0%
10	07-Feb-23	HDFC Securities	Accumulate	₹ 328.1	₹ 349.0	6.4%
11	07-Feb-23	ICICI Securities Limited	Buy	₹ 338.3	₹ 400.0	18.2%
12	07-Feb-23	ICICI Direct	Buy	₹ 328.1	₹ 390.0	18.9%
13	06-Feb-23	Motilal Oswal	Buy	₹ 338.3	₹ 395.0	16.8%
14	06-Dec-22	Geojit BNP Paribas	Accumulate	₹ 316.0	₹ 358.0	13.3%
15	16-Nov-22	HDFC Securities	Accumulate	₹ 277.4	₹ 316.0	13.9%
16	16-Nov-22	ICICI Direct	Buy	₹ 277.4	₹ 350.0	26.2%
17	16-Nov-22	ICICI Securities Limited	Buy	₹ 297.7	₹ 343.0	15.2%
18	14-Sep-22	ICICI Securities Limited	Buy	₹ 279.5	₹ 329.0	17.7%

Source: <https://trendlyne.com/>.

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