

**RESEARCH REPORT ON  
NARAYANA HRUDAYALAYA  
LIMITED  
AS ON 13-01-2023**



Market cap : 14.92TCr  
CMP : 734 INR  
52-wk high : 820.00 INR  
52-wk low : 588.45 INR

**Common Stocks and Uncommon Profits**

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(FUNDAMENTAL RESEARCH ANALYST)

# INTRODUCTION

- Narayana Hrudayalaya Limited, the flagship company of the Group, was incorporated on July 19, 2000 under the Companies Act, 1956 with its registered office in Bengaluru.
- The Group was rebranded as 'Narayana Health' in 2013. It has a network of multispeciality, and super speciality hospitals spread across multiple locations. With particularly strong presence in the southern state of Karnataka and eastern India, as well as an emerging presence in northern, western and central India.
- NHL centres provide advanced levels of care in over 30 specialties, including Cardiology and Cardiac Surgery, Cancer Care, Neurology and Neurosurgery, Orthopaedics, Nephrology and Urology, and Gastroenterology.
- The company initially focused on cardiac and renal sciences and expanded to additional areas of focus. The contribution of cardiac and renal sciences to inpatient revenues has reduced from ~68% in FY13 to ~37% in FY21

- "Narayana Health" delivers high-quality, affordable healthcare services to the broader population by leveraging our economies of scale, skilled doctors, and an efficient business model.
- The first facility was established in Bengaluru with approximately 225 operational beds and have since grown to 21 Hospitals + 1 Cayman Islands and 6 heart centres, 19 primary care facilities across India and an international hospital in the Cayman Islands.
- The group now features over 5,859 operational beds through a combination of greenfield projects and acquisitions.
- **Cayman Islands Hospital**  
The company also has a global footprint with the establishment of Health City Cayman Islands in North America.
- **Dr. Kiran Mazumdar-Shaw** is a non-executive director of the company. She is the executive Chairperson and promoter of Biocon Ltd, an innovation-led global biopharmaceutical company. She also holds 2.3% stake in the company.



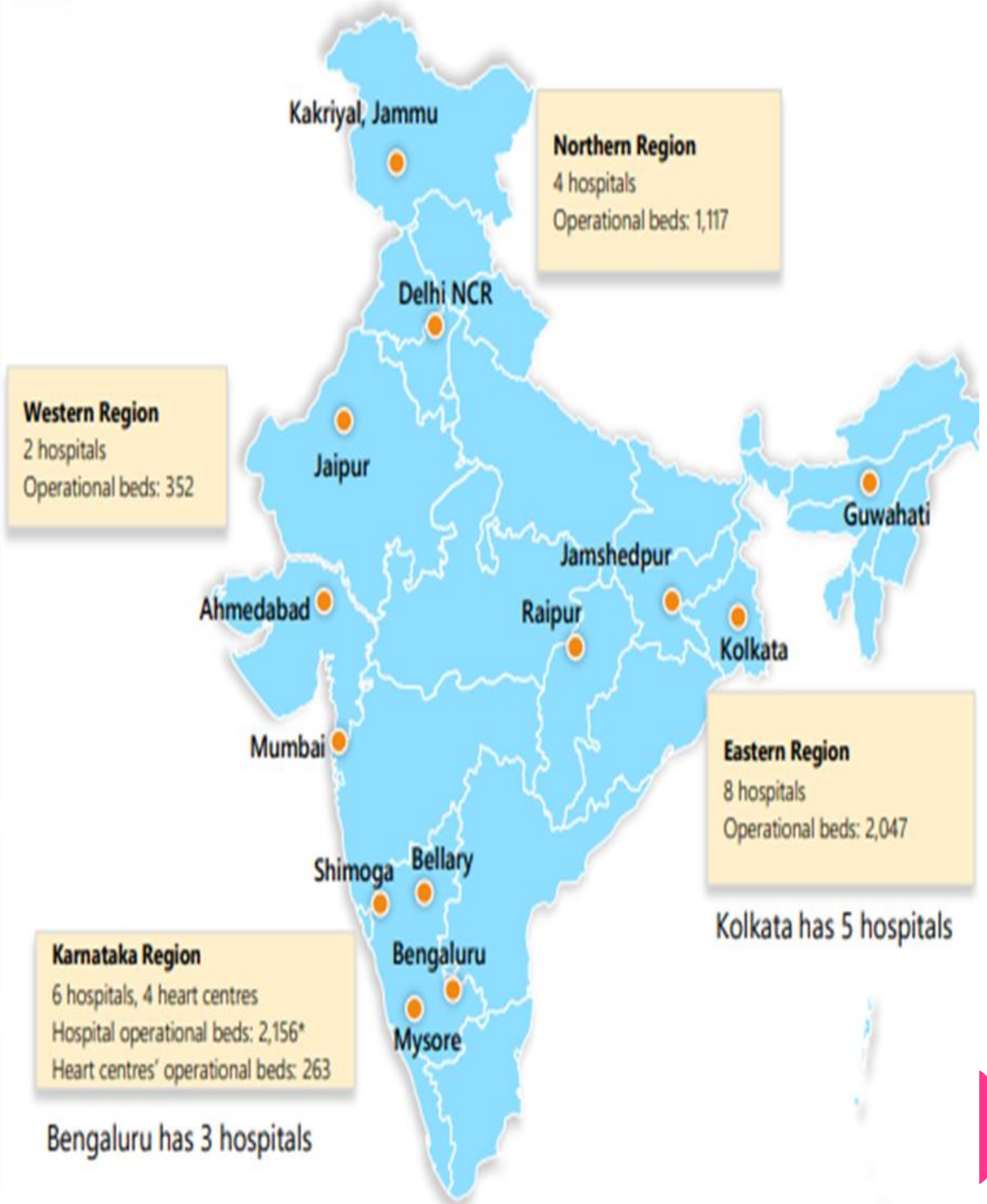
# LOWEST-COST, HIGH-QUALITY HEALTHCARE SERVICE PROVIDER IN THE WORLD.

- Dr Devi Prasad Shetty has been given the title of “Henry Ford of heart surgery” is an Indian entrepreneur and cardiac surgeon who is the chairman and founder of Narayana Health.
- He has performed more than 16,000 heart operations. In 2004 he was awarded the Padma Shri, the fourth highest civilian award, followed by the Padma Bhushan in 2012, the third highest civilian award by the Government of India for his contribution to the field of affordable healthcare.
- All Narayana Hrudayalaya hospitals operate heart surgeries at one-tenth of the cost as compared to the hospitals in USA.
- In Kolkata he operated on Mother Teresa after she had a heart attack, and subsequently served as her personal physician.
- In 2001, Shetty founded Narayana Hrudayalaya (NH), a multi-specialty hospital in Bangalore. He believes that the cost of healthcare can be reduced by 50 percent in the next 5–10 years if hospitals adopt the idea of economies of scale.

Regions	Bangalore	Southern Peripheral	Kolkata	Eastern Peripheral	Western	Northern
	<ul style="list-style-type: none"> <li>NICS</li> <li>MSMC</li> <li>HSR</li> </ul>	<ul style="list-style-type: none"> <li>Mysore</li> <li>Shimoga</li> </ul>	<ul style="list-style-type: none"> <li>RTIICS</li> <li>Barasat</li> <li>NMH &amp; NSH</li> <li>NSC</li> </ul>	<ul style="list-style-type: none"> <li>Jamshedpur</li> <li>Guwahati</li> <li>Raipur</li> </ul>	<ul style="list-style-type: none"> <li>Mumbai</li> <li>Ahmedabad</li> </ul>	<ul style="list-style-type: none"> <li>Gurugram</li> <li>New Delhi</li> <li>Jaipur</li> </ul>
% of Hospital Operating Revenues <sup>(2)</sup>	37%	7%	27%	10%	6%	14%
YoY Revenue Growth	40%	13%	9%	6%	0%	11%
% of Hospital Operational Beds	27%	10%	26%	14%	7%	16%
ARPOB (INR mn)	15.0	9.8	12.0	9.7	10.6	13.7
EBITDAR Margin <sup>(3)</sup>	34.7%	25.4%	26.2%	40.4%*	(1.7%)	12.2%

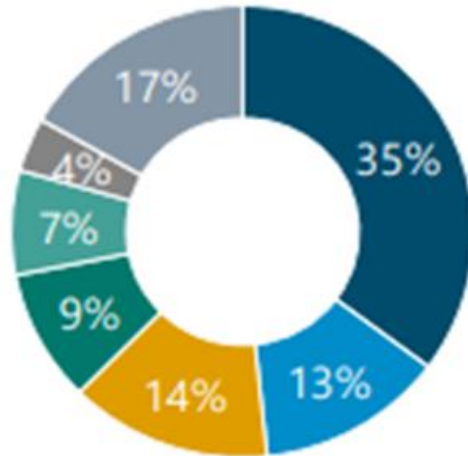
- Delhi hospitals. NHL expects margins in Delhi to reach closer to company average over time. Generally, it takes 8-10 years for a new hospital to reach mature margins. In Gurgaon, NHL wants to add 2 more floors. In Dharamshila, NHL is in talk with trustees to add another wing. In the Delhi cluster, one hospital (likely Dharamshila) had EBITDAR margin of ~17% in 1QFY23.
- Expansion. Greenfield expansion will be in Kolkata and Bangalore. In addition, the company will build specialties and capabilities in different units. NHL will be expanding in the Health City, Bangalore. It will add oncology units in all hospitals, and carry out a brownfield expansion in the Kolkata facility.
- For the year FY23, NHL did INR 1000 crore capex and planning about INR 1000 crore for FY24 also, and these projects are 2 to 3 year duration builds.
- Digital initiatives. Digital marketing channels contribute ~25% of India business

# NH's footprint in India



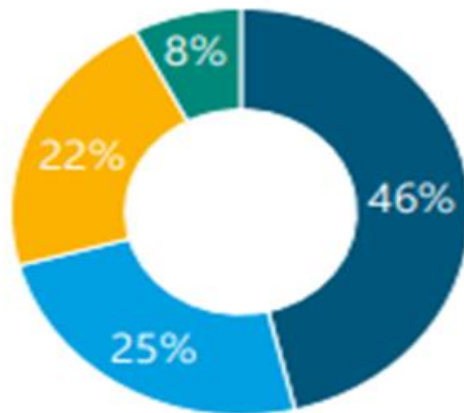


### Speciality-Profile<sup>(3,6)</sup>



- Cardiac Sciences
- Gastro Sciences
- Oncology
- Renal Sciences
- Neuro Sciences
- Orthopaedics
- Others

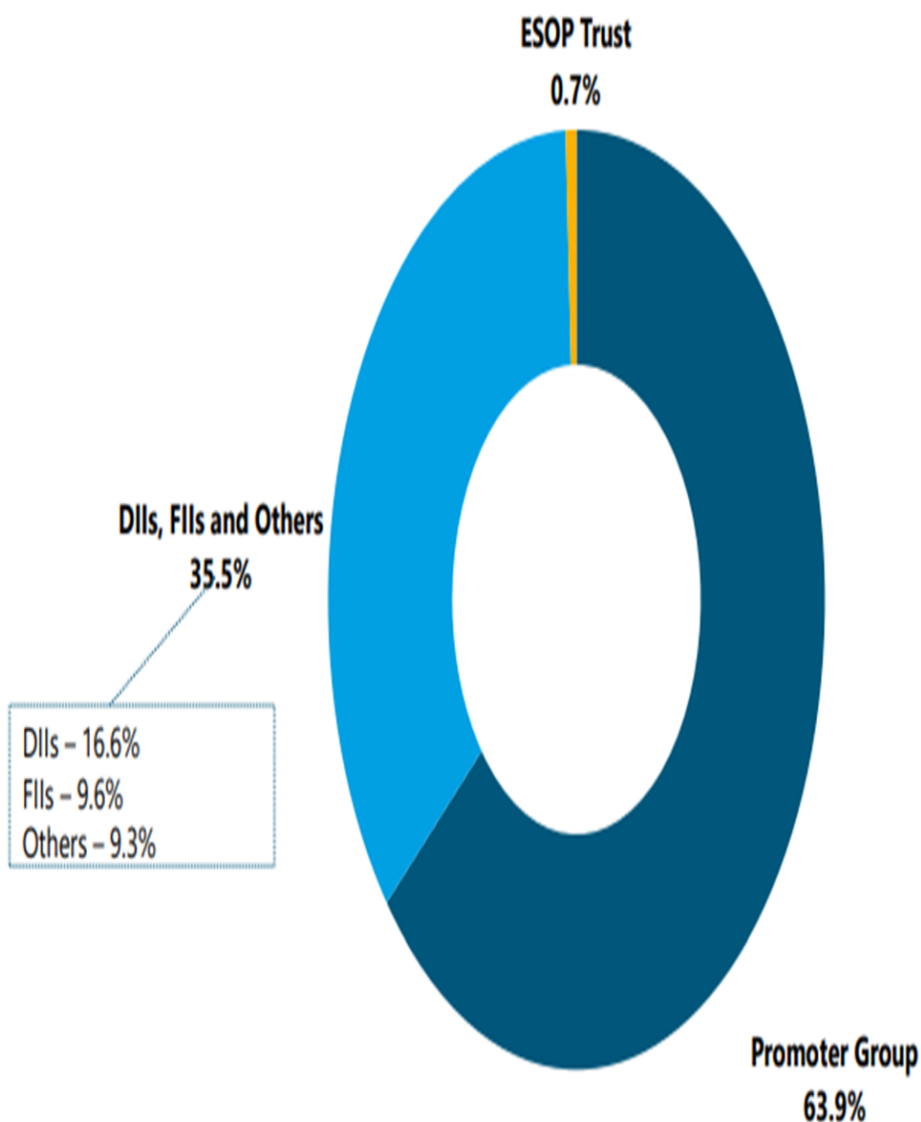
### Payee-Profile<sup>(3,6)</sup>



- Domestic Walk-in patients
- Insured Patients<sup>(4)</sup>
- Schemes<sup>(4)</sup>
- International patients

# SHAREHOLDING PATTERN

As on 30<sup>th</sup> September 2022<sup>(1)</sup>



## Total Number of Shares

204,360,804

## Key DIs

Axis Asset Management

SBI Asset Management

Nippon Life India Asset Management

ICICI Prudential Life Insurance

UTI Asset Management

## Key FIs

Wellington Asset Management

Vanguard Index Fund

Simcah Partners

Mirae Asset Management

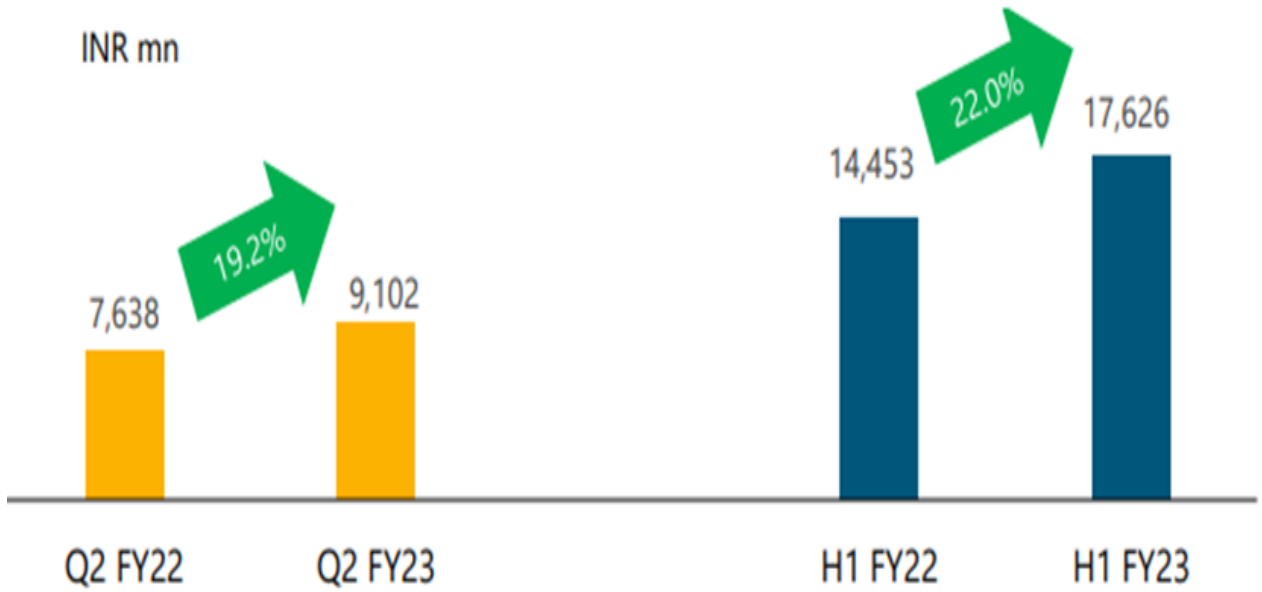
Kuwait Investment Authority

# FINANCIAL SUMMARY

Particulars	Consolidated	
	2021-22	2020-21
<b>Income</b>		
Revenue from Operations	37,013.17	25,830.35
Other Income	345.59	274.87
<b>Total Income</b>	<b>37,358.76</b>	<b>26,105.22</b>
Total Expenditure*	30,477.93	24,002.42
<b>Earnings Before Interest, Tax, Depreciation and Amortisation and Exceptional items</b>	<b>6,880.83</b>	<b>2,102.80</b>
Less: Interest & Depreciation	2,497.79	2,595.10
Less: Exceptional items	-	-
<b>Profit before tax</b>	<b>4,383.04</b>	<b>(492.30)</b>
Less: Income Tax	876.58	(417.73)
<b>Profit/(Loss) After Tax</b>	<b>3,506.46</b>	<b>(74.57)</b>
Add: Share of Profit/ (Loss) in Associate (Net)	(85.26)	(68.37)
<b>Profit for the year</b>	<b>3,421.20</b>	<b>(142.94)</b>
Add: Other Comprehensive Income	261.52	(20.17)
<b>Net Profit/(Loss)</b>	<b>3,682.72</b>	<b>(163.11)</b>
Earnings Per Share (Basic)	16.85	(0.70)
Earnings Per Share (Diluted)	16.84	(0.70)

\* Expenses before depreciation and amortisation, finance costs and exceptional items.

## Operating Revenues



## Return on Equity

10 Years:	8%
5 Years:	10%
3 Years:	13%
Last Year:	27%

## Compounded Profit Growth

10 Years:	30%
5 Years:	33%
3 Years:	81%
TTM:	57%

# KEY FINANCIAL RATIOS

Ratios	2021-22	2020-21	Movement
(i) Debtors Turnover	4.35	3.86	12.6%
(ii) Inventory Turnover	13.76	10.35	32.9%
(iii) Interest Coverage Ratio	19.02	4.85	292.4%
(iv) Current Ratio	1.17	0.95	23.3%
(v) Debt Equity Ratio	0.37	0.55	-33.6%
(vi) Operating Profit Margin (%)	13.5%	1.0%	1218.1%
(vii) Net Profit Margin (%) or sector-specific equivalent ratios, as applicable.	9.2%	-0.5%	1772.5%
(viii) Return on Net Worth	22.97%	-1.28%	1901.2%

# FINANCIAL ANALYSIS

- Consolidated revenue for the current quarter stood at INR 11,416 mn a quarter-on-quarter growth of 21.4% aided by steady performance of India business and strong performance of Cayman business.
- NHL generated consolidated EBITDA of INR 2,749 mn in Q2 FY23 at a margin of 24.1% which when adjusted for one-time other income stood at 22.3% as against a margin of 19.4% in Q1 FY23.
- Cayman business demonstrated continued growth due to lifting of restrictions and HCCI revenue increased by 28% to USD 29.1 mn.
- Gross borrowings are INR 7.2 billion against a consolidated cash and liquid investments of over INR 4.6 billion as of 30th September 2022.

- Company has delivered good profit growth of 32.8% CAGR over last 5 years
- Company's median sales growth is 21.4% of last 10 years
- Consolidated operating revenues of INR 11,416 mn in Q2 FY23, an increase of 21.4% YoY and 10.5% QoQ
- Consolidated EBITDA of INR 2,749 mn in Q2 FY23 translating into EBITDA margin of 24.1% and consolidated PAT of INR 1,689 mn at a PAT margin of 14.8%
- Profit for the year was 3,421.20 Million as against loss of (142.94) Million in FY 2020-21.
- Consolidated Total Borrowings less Cash & Bank Balance and Current Investments of INR 2,677 mn as on 30th September, 2022 ie net debt to equity ratio of 0.14 (Out of which, debt worth US\$ 26 mn is foreign currency denominated)

# CONCLUSION

BUY

- Significant brand equity of Narayana Health brand - The company enjoys a strong market position in the healthcare services industry and has an established brand equity, especially in the cardiac segment.
- Ageing population, burgeoning lifestyle diseases, and rising affordability are contributing to the Indian healthcare industry growth at 15-17% CAGR. Healthcare Delivery has grown at CAGR of 12-14% over FY16-20.
- The revival of medical tourism due to easy travel restrictions. This market is expected to rise at a CAGR of 65- 70% between FY21-25.
- Healthy financials: Improved performance coupled with better margins
- Clean management and Corporate Governance



# RATINGS AND DISCLOSURES

- Definitions of ratings
  - BUY. We expect this stock to deliver more than 15% returns over the next 12 months.
  - ADD. We expect this stock to deliver 5-15% returns over the next 12 months.
  - REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.
  - SELL. We expect this stock to deliver <-5% returns over the next 12 months.
- Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

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