



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Business Update@ Dalal & Broacha

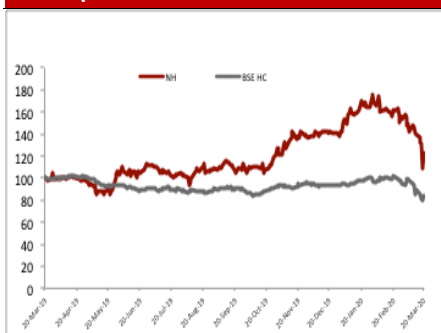
BUY

Current Price	247
Target Price	293
Upside/Downside	19%
52 Week Range	181/389

Key Share Data

Market Cap (Rs.bn)	50
Market Cap (US\$ mn)	690
No of o/s shares (mn)	204.4
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	1070
BSE Code	539551
NSE Code	NH
Bloomberg	NARH IN

Price performance



% Shareholding	Dec-19	Sept-19
Promoters	63.85	63.85
FII	11.95	15.55
DII	16.94	13.37
Others	7.26	7.23
Total	100	100

Key Financials

Year	Net Sales	% Growth	EBITDA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)	RoCE (%)	EV/EBITDA
FY18	22809.1	21%	2122.7	9.3%	514.0	-38%	2.52	98.2	5.0%	6.4%	26.2
FY19	28609.2	25%	2878.1	10.1%	593.3	15%	2.90	85.1	5.5%	7.9%	19.2
FY20E	30664.3	7%	3667.7	12.0%	1001.9	69%	4.90	50.4	8.8%	9.4%	14.9
FY21E	29238.8	-5%	3058.3	10.5%	600.0	-40%	2.94	84.1	5.2%	6.9%	17.5
FY22E	35151.9	20%	4861.4	13.8%	1831.1	205%	8.96	27.6	14.3%	12.7%	10.6

With a robust 9MFY20 performance, Narayana Hrudayalaya (NH) was on growth path both in India as well as Cayman Islands. Come March, NH temporarily shut its Cayman hospital for 15 days, due to a patient developing COVID19. COVID19 has also impacted its India operations, due to the absence of international patients (11% of sales) as well as lower volumes at its hospitals.

We believe normalcy at Cayman as well as India will take a few quarters. International travel will also take 2-3 quarters to normalize operations, restoring medical tourism thereafter. We expect the lower occupancy to have a higher impact on earnings in FY21, with a sharp recovery in FY22. We recommend investors to BUY NH with a target price of Rs 293.

KTAs from the NH concall:

1. A patient at Cayman hospital suffering from cardiac arrest did not disclose the development of COVID 19. After 10 days, test results revealed COVID 19. The company has shut the facility for 15 days.
2. Of the 40 nurses at Cayman, 20 nurses were tested negative for COVID 19. Few doctors were tested positive, hence the shutdown.
3. The facility will reopen after 15-30 days, and cater to local patients.
4. In India, currently there are no international patients at its hospitals. International patients comprise 10-11% of India sales (86% of topline).
5. India volumes will be impacted during Q4 and Q1FY21, due to lower walk in patients and lower number of planned surgeries due to the current environment.
6. The management expects the situation to be temporary and expects recovery in a quarter or two.

Revision of estimates

We have marginally revised our revenue estimates downwards factoring in the uncertainties in business over the next few quarters. However, the impact on earnings is much larger as 67% of costs are fixed in nature.

Outlook & Valuation

We believe the lower volumes and lack of international patients in India, and the Cayman shutdown will impact NH revenues and profits in FY21. The price has corrected 37% from the 52 WH.

At Rs 247, NH trades at 28x FY22E EPS of Rs 8.96 and 11x EV/EBITDA. We have valued NH as weighted average of DCF, 30x FY22E and 15x EV/EBITDA. We have arrived at a target price of Rs 293.

We recommend investors to BUY Narayana Hrudayalaya with a target price of Rs 293, indicating an upside of 19%.



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We have revised our estimates factoring in the business uncertainties, due to the global spread of COVID 19, over the next 2-3 quarters.

	FY20E	FY20E(O)	% change	FY21E	FY21E(O)	% change	FY22E	FY22E(O)	% change
Net Sales	30664	32766	-6%	29239	35845	-18%	35152	40268	-13%
% growth	7%	15%		-5%	9%		20%	12%	
EBITDA	3668	4431	-17%	3058	4952	-38%	4861	5897	-18%
OPM	12.0%	13.5%		10.5%	13.8%		13.8%	14.6%	
PAT	1002	1604	-38%	600	2026	-70%	1831	2705	-32%
% growth	69%	170%		-40%	26%		205%	34%	
EPS	4.90	7.85		2.94	9.91		8.96	13.24	



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NARAYANA HRUDAYALAYA FINANCIALS											
	FY18	FY19	FY20E	FY21E	FY22E		FY18	FY19	FY20E	FY21E	FY22E
Profit & Loss (Rs mn)						Cash Flow St. (Rs. mn)					
Income from Operations	22,809	28,609	30,664	29,239	35,152	Net Profit	514	593	1,002	600	1,831
Purchase of medical consumables	5,565	6,875	7,359	6,579	8,436	Add: Dep. & Amort.	1,000	1,373	1,603	1,684	1,901
Employee costs	4,657	6,241	6,615	6,747	7,422	Cash profits	1,514	1,966	2,605	2,284	3,732
Professional fees to Doctors	4,788	5,898	6,439	6,140	7,382	(Inc)/Dec in					
Other expenses	5,677	6,717	6,583	6,714	7,050	-Sundry debtors	(1,221)	125	(696)	156	(648)
Cost of sales	20,686	25,731	26,997	26,181	30,290	-Inventories	(313)	4	(344)	55	(227)
Operating Profit	2,123	2,878	3,668	3,058	4,861	-Loans/advances	162	(72)	(21)	(22)	(17)
Depreciation	1,000	1,373	1,603	1,684	1,901	-Sundry creditors	2,339	241	992	(266)	1,102
PBIT	1,123	1,505	2,065	1,374	2,960	-Provisions	114	37	106	132	132
Other income	189	167	200	320	384	Change in working capital	1,082	335	37	56	342
Interest	468	714	837	843	843	CF from Oper. activities	2,595	2,302	2,642	2,340	4,074
Profit before tax	845	958	1,428	851	2,501	CF from Inv. activities	(7,522)	(2,255)	(3,315)	(2,606)	(4,111)
Provision for tax	290	341	371	221	650	CF from Fin. activities	5,840	58	1,779	(203)	(386)
PAT Bfr Exp Items	555	617	1,057	630	1,851	Cash generated/(utilised)	913	104	1,106	(469)	(423)
Minority Interest	-	-	(15)	-	-	Cash at start of the year	341	860	1,204	2,379	1,986
Share of Profit of Associate	(46)	(23)	(40)	(30)	(20)	Cash at end of the year	860	1,204	2,379	1,986	1,647
Extraordinary Items	5	-	-	-	-						
Net Profit	514	593	1,002	600	1,831						
Balance Sheet						Ratios					
Equity capital	2,044	2,044	2,044	2,044	2,044	OPM	9.3%	10.1%	12.0%	10.5%	13.8%
Reserves	8,314	8,768	9,361	9,552	10,770	NPM	2.3%	2.1%	3.3%	2.1%	5.2%
Net worth	10,357	10,811	11,405	11,596	12,814	Tax rate	34%	36%	26%	26%	26%
Def. Tax Liab.+Minority Int.	399	483	531	583	641	Growth Ratios (%)					
Secured loans	6,963	7,253	9,253	9,253	9,253	Net Sales	21%	25%	7%	-5%	20%
Unsecured loans	1,421	1,283	1,400	1,528	1,670	Operating Profit	-7%	36%	27%	-17%	59%
Total debt	8,384	8,536	10,653	10,781	10,923	PAT	-38%	15%	69%	-40%	205%
Other Liab	1,350	1,394	1,533	1,687	1,855						
CAPITAL EMPLOYED	20,490	21,224	24,122	24,647	26,233						
Gross block	22,526	23,906	25,406	26,406	27,906	Per Share (Rs.)					
Accumulated depreciation	5,409	6,782	8,385	10,069	11,970	Net Earnings (EPS)	2.52	2.90	4.90	2.94	8.96
Net block	17,117	17,124	17,021	16,337	15,936	Cash Earnings (CPS)	7.41	9.62	12.74	11.18	18.26
Capital WIP	269	362	500	500	500	Dividend	2.00	2.00	2.00	2.00	3.00
Total fixed assets	17,385	17,486	17,521	16,837	16,436	Book Value	50.68	52.90	55.81	56.74	62.70
Other Intangible assets	703	597	597	597	597	Free Cash Flow	-30.1	0.3	-1.6	-0.9	-2.6
Goodwill	660	660	660	660	660						
Equity accounted Investees	37	29	29	29	29	Valuation Ratios					
Investments	50	145	1,645	3,145	5,645	P/E(x)	98.2	85.1	50.4	84.1	27.6
Other non current assets	1,219	1,980	2,156	2,262	2,373	P/B(x)	4.9	4.7	4.4	4.4	3.9
Inventories	836	832	1,176	1,121	1,348	EV/EBIDTA(x)	26.2	19.2	14.9	17.5	10.6
Sundry debtors	2,790	2,664	3,360	3,204	3,852	EV/SALES(x)	2.4	1.9	1.8	1.8	1.5
Cash & bank	860	1,204	2,379	1,986	1,647	Div. Yield(%)	0.8%	0.8%	0.8%	0.8%	1.2%
Loans & advances	221	293	314	336	353	FCF Yield(%)	-12.2%	0.1%	-0.7%	-0.4%	-1.1%
Other current assets	593	477	524	577	634						
Sundry creditors	4,479	4,720	5,713	5,447	6,549	Return Ratios (%)					
Provisions	387	424	530	662	794	ROE	5.0%	5.5%	8.8%	5.2%	14.3%
Working capital	435	327	1,512	1,116	491	ROCE	6.4%	7.9%	9.4%	6.9%	12.7%
CAPITAL DEPLOYED	20,490	21,224	24,122	24,647	26,233						



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