



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Business Update@ Dalal & Broacha

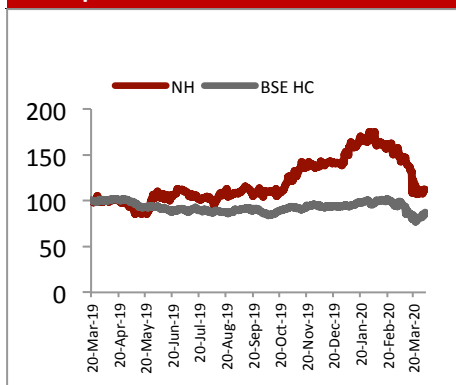
Accumulate

Current Price	275
Target Price	293
Upside/Downside	7%
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



We spoke to the management of Narayana Hrudayalaya (NH), regarding the restart of emergency services at Cayman with 15% occupancy. While the hospital is ready for a restart, it awaits approval from the Cayman Government, which is under lockdown.

Major hospitals in India are also operating only emergency services; due to lower walk ins and the nationwide lockdown.

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 have factored in the lower occupancies into our estimates. We expect the lower occupancy to have a higher impact on earnings in FY21, with a sharp recovery in FY22. We recommend investors to ACCUMULATE NH with a target price of Rs 293.

KTAs from our interaction with NH:

1. The Cayman hospital has started with emergency services only, with occupancy of 15%, from 41% in Q3FY20. The hospital is ready for a restart, pending approval from the Cayman Government in view of the shutdown in the region.
2. Even after approval, the Cayman occupancy may reach 25 - 30% over 1-2 quarters, as there are no international travellers in the region.
3. In India too, the hospitals are running emergency services only. Volumes have been impacted during Q4 and Q1FY21, due to lower walk in patients and planned surgeries with increasing number of COVID cases and the nationwide shutdown.

Revision of estimates

In our update dated March 20, 2020 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

At Rs 275, NH trades at 31x 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 ACCUMULATE Narayana Hrudayalaya with a target price of Rs 293.

% 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	109.3	5.0%	6.4%	26.2
FY19	28609.2	25%	2878.1	10.1%	593.3	15%	2.90	94.7	5.5%	7.9%	19.2
FY20E	30796.0	8%	3740.1	12.1%	1055.5	78%	5.16	53.2	9.2%	9.7%	14.6
FY21E	29238.8	-5%	3058.3	10.5%	600.0	-43%	2.94	93.7	5.2%	6.9%	17.5
FY22E	35151.9	20%	4861.4	13.8%	1831.1	205%	8.96	30.7	14.2%	12.7%	10.5



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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	30,796	29,239	35,152	Net Profit	514	593	1,055	600	1,831
Purchase of medical consumables	5,565	6,875	7,391	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	2,658	2,284	3,732
Professional fees to Doctors	4,788	5,898	6,467	6,140	7,382	(Inc)/Dec in					
Other expenses	5,677	6,717	6,583	6,714	7,050	-Sundry debtors	(1,221)	125	(710)	171	(648)
Cost of sales	20,686	25,731	27,056	26,181	30,290	-Inventories	(313)	4	(349)	60	(227)
Operating Profit	2,123	2,878	3,740	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	1,017	(290)	1,102
PBIT	1,123	1,505	2,137	1,374	2,960	-Provisions	114	37	106	132	132
Other income	189	167	200	320	384	Change in working capital	1,082	335	42	51	342
Interest	468	714	837	843	843	CF from Oper. activities	2,595	2,302	2,701	2,335	4,074
Profit before tax	845	958	1,501	851	2,501	CF from Inv. activities	(7,522)	(2,255)	(3,315)	(2,606)	(4,111)
Provision for tax	290	341	390	221	650	CF from Fin. activities	5,840	58	1,779	(203)	(386)
PAT Bfr Excp Items	555	617	1,110	630	1,851	Cash generated/(utilised)	913	104	1,164	(474)	(423)
Minority Interest	-	-	(15)	-	-	Cash at start of the year	341	860	1,204	2,438	2,040
Share of Profit of Associate	(46)	(23)	(40)	(30)	(20)	Cash at end of the year	860	1,204	2,438	2,040	1,700
Extraordinary Items	5	-	-	-	-						
Net Profit	514	593	1,055	600	1,831	Ratios					
Balance Sheet						OPM	9.3%	10.1%	12.1%	10.5%	13.8%
Equity capital	2,044	2,044	2,044	2,044	2,044	NPM	2.3%	2.1%	3.4%	2.1%	5.2%
Reserves	8,314	8,768	9,415	9,606	10,824	Tax rate	34%	36%	26%	26%	26%
Net worth	10,357	10,811	11,458	11,649	12,867	Growth Ratios (%)					
Def. Tax Liab.+Minority Int.	399	483	531	583	641	Net Sales	21%	25%	8%	-5%	20%
Secured loans	6,963	7,253	9,253	9,253	9,253	Operating Profit	-7%	36%	30%	-18%	59%
Unsecured loans	1,421	1,283	1,400	1,528	1,670	PAT	-38%	15%	78%	-43%	205%
Total debt	8,384	8,536	10,653	10,781	10,923	Per Share (Rs.)					
Other Liab	1,350	1,394	1,533	1,687	1,855	Net Earnings (EPS)	2.52	2.90	5.16	2.94	8.96
CAPITAL EMPLOYED	20,490	21,224	24,175	24,701	26,287	Cash Earnings (CPS)	7.41	9.62	13.01	11.18	18.26
Gross block	22,526	23,906	25,406	26,406	27,906	Dividend	2.00	2.00	2.00	2.00	3.00
Accumulated depreciation	5,409	6,782	8,385	10,069	11,970	Book Value	50.68	52.90	56.07	57.00	62.96
Net block	17,117	17,124	17,021	16,337	15,936	Free Cash Flow	-30.1	0.3	-1.4	-0.9	-2.6
Capital WIP	269	362	500	500	500	Valuation Ratios					
Total fixed assets	17,385	17,486	17,521	16,837	16,436	P/E(x)	109.3	94.7	53.2	93.7	30.7
Other Intangible assets	703	597	597	597	597	P/B(x)	5.4	5.2	4.9	4.8	4.4
Goodwill	660	660	660	660	660	EV/EBIDTA(x)	26.2	19.2	14.6	17.5	10.5
Equity accounted Investees	37	29	29	29	29	EV/SALES(x)	2.4	1.9	1.8	1.8	1.5
Investments	50	145	1,645	3,145	5,645	Div. Yield(%)	0.7%	0.7%	0.7%	0.7%	1.1%
Other non current assets	1,219	1,980	2,156	2,262	2,373	FCF Yield(%)	-11.0%	0.1%	-0.5%	-0.3%	-0.9%
Inventories	836	832	1,181	1,121	1,348	Return Ratios (%)					
Sundry debtors	2,790	2,664	3,375	3,204	3,852	ROE	5.0%	5.5%	9.2%	5.2%	14.2%
Cash & bank	860	1,204	2,438	2,040	1,700	ROCE	6.4%	7.9%	9.7%	6.9%	12.7%
Loans & advances	221	293	314	336	353						
Other current assets	593	477	524	577	634						
Sundry creditors	4,479	4,720	5,737	5,447	6,549						
Provisions	387	424	530	662	794						
Working capital	435	327	1,566	1,169	545						
CAPITAL DEPLOYED	20,490	21,224	24,175	24,701	26,287						



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