



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result Update@ Dalal & Broacha

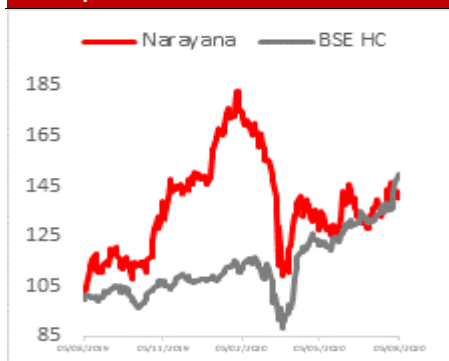
ACCUMULATE

Current Price	293
Target Price	296
Upside/Downside	1%
52 Week Range	204/389

Key Share Data

Market Cap (Rs.bn)	60
Market Cap (US\$ mn)	800
No of o/s shares (mn)	204
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	209
BSE Code	539551
NSE Code	NH
Bloomberg	NARH:IN

Price performance



% Shareholding	Jun-20	Mar-20
Promoters	63.85	63.85
FII	9.28	9.58
DII	19.96	18.36
Others	6.91	6.41
Total	100	100

Narayana Hrudayalaya Q1FY21 results were below estimates. Lower occupancies and operations throughout India due to the nationwide lockdown, and at Cayman Islands resulted in an EBITDA loss. We believe the situation is temporary and expect recovery in 1-2 quarters.

KTAs from Narayana Hrudayalaya concall

India operations:

- 700-800 beds of total 5282 operating beds used for Covid19 patients.
- Occupancy improving from June in Mumbai, Delhi and Ahmedabad. Bangalore, Kolkata and Shimoga impacted due to higher incidence of cases.
- We expect India ARPOB to increase 11% in Q2FY21 and 10% for FY21.

Cayman Islands Operations

- In Cayman Islands, NH expects higher levels of occupancies in Q2FY21 from the local population. Occupancy in Q1FY21 was at 27%.
- We expect Cayman ARPOB to increase by 9% in FY21.
- International sales are 15% of Cayman revenues, which have been impacted due to the closure of borders.
- The company expects EBITDA breakeven in Q2FY21, going by occupancy levels in June.
- We expect PAT breakeven by Q3FY21 and return to growth by Q4FY21.
- NH has repaid debt to the tune of Rs 280 mn during the quarter.
- The management is cautiously optimistic due to the Covid19 developments and uncertainties in the environment.

Outlook & Valuation

We believe the challenges faced by NH are temporary in nature and expect recovery in 2-3 quarters. The company is confident of pickup once the Covid19 issue tapers off, and believes that surgeries cannot be deferred for long.

We maintain our ACCUMULATE rating on the stock.

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	115.3	5.0%	6.4%	26.2
FY19	28609.2	25%	2878.1	10.1%	593.3	15%	2.90	99.9	5.5%	7.9%	19.2
FY20	31278.1	9%	4229.3	13.5%	1190.3	101%	5.82	49.8	10.5%	12.5%	12.6
FY21E	23824.0	-24%	1747.9	7.3%	-790.5	-166%	-3.87	-75.0	-7.5%	0.3%	30.4
FY22E	30827.8	29%	4507.9	14.6%	1481.9		7.25	40.0	12.7%	12.9%	11.4



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Key Result Highlights

- ***India revenues*** (-54% yoy/-52% qoq) to Rs 3065 mn, Vs our estimate of Rs 3365 mn. India ARPOB increased 8% to Rs 10.5 mn, in line with our estimates. Operating beds were at 5859, at Q4FY20 levels. Revenue from new hospitals - 37% at Rs 364 mn.
- ***Cayman revenues*** (-21% yoy/-16% qoq) to Rs 866 mn(\$11.5 mn). Cayman ARPOB (-11% yoy/+7% qoq) to \$ 1.6 mn.
- **Total Expenses** (-28% yoy/-25% qoq) to Rs 4844 mn. Increase in expenses was mainly from employee costs (+6%) to Rs 1529 mn, all other expenses decreased due to lower operations. Purchase of consumables (28% of sales, -45%) Rs 1043 mn, Doctor fees (26% of sales, -42%) Rs 1031 mn, and other expenses (-28% Rs 1179 mn).
- Cayman EBITDA was at \$ 1.7 mn with EBITDA margins at 14.8%.
- Interest -11% at Rs 197 mn and depreciation +12% at Rs 464 mn, in view of 3 new hospitals.

By Cluster*

- Bangalore(29% of sales) -68% with EBITDAR margin at -30.6%.
- South Peripheral (11% of sales) -14% with EBITDAR margin at 12.7%.
- Kolkata (23% of sales) -63% with EBITDAR margin at -45.7%.
- Eastern Peripheral (8% of sales) -32% with EBITDAR margin at -6.1%.
- Western (19% of sales) -45% with EBITDAR margin at -28%.
- Northern (11% of sales) -29% with EBITDAR -40.2%.

	Q1FY21	Q4FY20	Q3FY20	Q4FY19	YoY	QoQ	FY20	FY19	Var %
Income from operations	3935	7429	7852	7652	-3%	-5%	23849	20957	14%
Other Income	47	70	55	72			167	189	
Total Income	3982	7500	7907	7724	-3%	-5%	24016	22998	4%
Purchase of Medical Consumables & supplies	1043	1600	1861	1737			5624	5134	10%
Inventory Change	63	188	-14	119			42	-125	-133%
Employee Benefits	1529	1680	1717	1596			4923	4644	6%
Professional Fees to Doctors	1031	1520	1589	1512			4981	4386	14%
Other expenses	1179	1484	1672	1793			5007	5677	-12%
TOTAL EXPENSES	4845	6472	6825	6757	-4%	-5%	20577	20686	-1%
EBITDA (ex OI)	-910	957	1027	895	7%	-7%	3272	2123	54%
<i>EBITDA (ex-OI) margin</i>	<i>-23.1%</i>	<i>12.9%</i>	<i>13.1%</i>	<i>11.7%</i>			<i>13.7%</i>	<i>9.3%</i>	
EBIT	-1327	477	618	608	-22%	-23%	1672	1312	27%
Interest	197	208	206	175			645	468	
Depreciation	464	551	464	359			1307	1000	
Profit Before Tax	-1524	269	412	434	-38%	-35%	958	845	
Tax	337	36	88	98			387	290	
Net Profit	-1861	233	324	335	-31%	-28%	571	555	3%
Minority Interest (after tax)	0	0	0	0			0	0	
Profit/Loss of Associate Company	-10	-5	-10	37			-30	-46	
Net Profit after Minority Interest & P/L Asso.Co.	-1871	229	314	373			542	509	7%
Extraordinary items	0	-109	0	0			0	5	
Net Profit after extraordinary items	-1198	120	314	373	-68%	-62%	593	514	15%
NPM %	-30.4%	1.6%	4.0%	4.9%			2.5%	2.3%	
Equity	2043.6	2043.6	2043.6	2043.6			2043.6	2043.6	
EPS after Minority Interest	-5.86	0.59	1.54	1.82			5.24	2.52	



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NARAYANA HRUDAYALAYA FINANCIALS											
	FY18	FY19	FY20	FY21E	FY22E		FY18	FY19	FY20	FY21E	FY22E
Profit & Loss (Rs mn)						Cash Flow St. (Rs. mn)					
Income from Operations	22,809	28,609	31,278	23,824	30,828	Net Profit	514	593	1,190	(790)	1,482
Purchase of medical consumables	5,565	6,875	7,453	5,360	7,245	Add: Dep. & Amort.	1,000	1,373	1,857	1,847	1,934
Employee costs	4,657	6,241	6,737	6,063	6,670	Cash profits	1,514	1,966	3,047	1,056	3,416
Professional fees to Doctors	4,788	5,898	6,290	5,003	6,474	(Inc)/Dec in					
Other expenses	5,677	6,717	6,569	5,649	5,932	-Sundry debtors	(1,221)	125	42	664	(1,420)
Cost of sales	20,686	25,731	27,049	22,076	26,320	-Inventories	(313)	4	230	(50)	(192)
Operating Profit	2,123	2,878	4,229	1,748	4,508	-Loans/advances	162	(72)	(123)	(29)	(22)
Depreciation	1,000	1,373	1,857	1,847	1,934	-Sundry creditors	2,339	241	696	(978)	1,305
PBIT	1,123	1,505	2,372	(99)	2,574	-Provisions	114	37	253	169	169
Other income	189	167	238	160	192	Change in working capital	1,082	335	1,097	(224)	(161)
Interest	468	714	853	821	736	CF from Oper. activities	2,595	2,302	4,144	832	3,256
Profit before tax	845	958	1,757	(760)	2,030	CF from Inv. activities	(7,522)	(2,255)	(2,345)	(236)	(3,095)
Provision for tax	290	341	423	-	528	CF from Fin. activities	5,840	58	(1,721)	(97)	(205)
PAT Bfr Excp Items	555	617	1,335	(760)	1,502	Cash generated/(utilised)	913	104	79	500	(43)
Minority Interest	-	-	(1)	-	-	Cash at start of the year	341	860	1,204	1,512	2,104
Share of Profit of Associate	(46)	(23)	(34)	(30)	(20)	Cash at end of the year	860	1,204	1,512	2,104	2,161
Extraordinary Items	5	-	(109)	-	-						
Net Profit	514	593	1,190	(790)	1,482						
Balance Sheet						Ratios					
Equity capital	2,044	2,044	2,044	2,044	2,044	OPM	9.3%	10.1%	13.5%	7.3%	14.6%
Reserves	8,314	8,768	9,316	8,526	9,599	NPM	2.3%	2.1%	3.8%	-3.3%	4.8%
Net worth	10,357	10,811	11,360	10,569	11,642	Tax rate	34%	36%	24%	0%	26%
Def. Tax Liab.+Minority Int.	399	483	549	602	663	Growth Ratios (%)					
Secured loans	6,963	7,253	6,185	6,185	6,185	Net Sales	21%	25%	9%	-24%	29%
Unsecured loans	1,421	1,283	1,410	1,260	1,404	Operating Profit	-7%	36%	47%	-59%	158%
Total debt	8,384	8,536	7,595	7,446	7,589	PAT	-38%	15%	101%	-166%	-287%
Other Liab	1,350	1,394	1,303	1,434	1,577						
CAPITAL EMPLOYED	20,490	21,224	20,807	20,051	21,471	Per Share (Rs.)					
Gross block	22,526	23,906	25,885	26,885	28,385	Net Earnings (EPS)	2.52	2.90	5.82	-3.87	7.25
Accumulated depreciation	5,409	6,782	8,639	10,486	12,421	Cash Earnings (CPS)	7.41	9.62	14.91	5.17	16.72
Net block	17,117	17,124	17,245	16,398	15,964	Dividend	2.00	2.00	2.00	0.00	2.00
Capital WIP	269	362	118	118	118	Book Value	50.68	52.90	55.59	51.72	56.97
Total fixed assets	17,385	17,486	17,363	16,516	16,082	Free Cash Flow	-30.1	0.3	-3.8	5.8	3.1
Other Intangible assets	703	597	718	718	718						
Goodwill	660	660	581	581	581	Valuation Ratios					
Equity accounted Investees	37	29	28	28	28	P/E(x)	115.3	99.9	49.8	-75.0	40.0
Investments	50	145	835	0	1,500	P/B(x)	5.7	5.5	5.2	5.6	5.1
Other non current assets	1,219	1,980	1,840	1,911	2,005	EV/EBIDTA(x)	26.2	19.2	12.6	30.4	11.4
Inventories	836	832	602	653	845	EV/SALES(x)	2.4	1.9	1.7	2.2	1.7
Sundry debtors	2,790	2,664	2,622	1,958	3,378	Div. Yield(%)	0.7%	0.7%	0.7%	0.0%	0.7%
Cash & bank	860	1,204	1,512	2,104	2,161	FCF Yield(%)	-10.4%	0.1%	-1.3%	2.0%	1.1%
Loans & advances	221	293	417	446	468						
Other current assets	593	477	382	420	462	Return Ratios (%)					
Sundry creditors	4,479	4,720	5,417	4,438	5,743	ROE	5.0%	5.5%	10.5%	-7.5%	12.7%
Provisions	387	424	676	845	1,014	ROCE	6.4%	7.9%	12.5%	0.3%	12.9%
Working capital	435	327	(558)	296	557						
CAPITAL DEPLOYED	20,490	21,224	20,807	20,051	21,471						



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