

Covid aids better volumes in India, Cayman clinics improve profitability



Recovery across India and Cayman, driven by volumes and increase in ARPOB (India +7%, Cayman+19%), and adequate cost control have aided turnaround.

- **Sales** came in at Rs 8598 mn +118% yoy/+3% qoq.
- **EBITDA** came in at Rs 1337 mn, against a loss of Rs 910 mn in Q1FY21.
- EBITDA margins at 15.5%, -140 bps qoq.
- PAT came in at Rs 762 mn, against a net loss of Rs 1197 mn in Q1FY21/+2% qoq.
- EPS for the quarter came in at Rs 3.73.

Key Highlights

- **India revenues** (+122% yoy/-3% qoq) to Rs 6815 mn. India ARPOB increased 7% to Rs 11.2 mn, 2% higher than our estimates. Operating beds were at 5992. Revenue from new hospitals +162% at Rs 954 mn.
- **Cayman revenues** (CC +102% yoy) to Rs 1705 mn(\$23.5 mn). Cayman ARPOB (+19% yoy on low base/-3% qoq) to \$ 1.9 mn.
- **Total Expenses** (+50% yoy/+4% qoq) to Rs 7261 mn on low base yoy. Sequential increase in expenses was mainly from Purchase of consumables (25% of sales, +10%) Rs 2293 mn, Employee costs (22% of sales, +12%) Rs 1906 mn, other expenses (+5% Rs 1709 mn), Doctor fees (17% of sales, -5%) Rs 1492 mn.
- **Ind AS 116** benefit of Rs 138 mn on EBITDA and decrease of Rs 4 mn in PAT. Excluding Ind AS benefit, EBITDA margin was at 13.9%.
- Interest -14% at Rs 171 mn and depreciation -4% at Rs 447 mn.

By Cluster

- Bangalore (28% of sales) +130% with EBITDAR margin at 9.7%.
- South Peripheral (7% of sales) +50% with EBITDAR margin at 22.8%.
- Kolkata (30% of sales) +203% with EBITDAR margin at 18.6%.
- Eastern Peripheral (6% of sales) +67% with EBITDAR margin at 16.2%.
- Western (18% of sales) +118% with EBITDAR margin at 8%.
- Delhi NCR (11% of sales) +136% with EBITDAR 5.8%.

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	28,609	31,278	25,823	35,016	40,765
EBITDA	2,878	4,229	1,821	5,479	6,870
EBITDA margins	10.1%	13.5%	7.1%	15.6%	16.9%
Adjusted net profit	593	1,190	(143)	2,357	3,337
Free cash flow	158	(87)	(23)	2,684	3,481
EPS (Rs)	2.9	5.8	(0.7)	11.5	16.3
P/E (x)	181	90	(751)	46	32
P/B (x)	10	9	10	8	7
EV/EBITDA (x)	39	26	60	20	15
D/E	0.8	0.7	0.6	0.5	0.4
RoIC (%)	3.3	7.2	(1.0)	15.7	21.0
RoE (%)	5.5	10.5	(1.3)	17.9	21.0
Dividend yield (%)	0.4	0.4	0.0	0.4	0.6

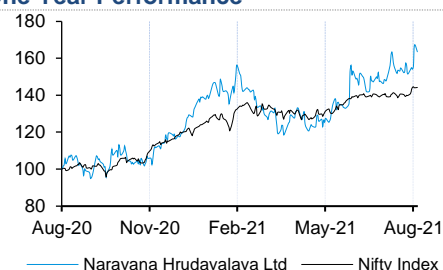
Source: Company

Rating	TP (Rs)	Up/Dn (%)
BUY	596	20

Market data

Current price	Rs	498
Market Cap (Rs.Bn)	(Rs Bn)	108
Market Cap (US\$ Mn)	(US\$ Mn)	1456
Face Value	Rs	10
52 Weeks High/Low	Rs	6.7 / 292.45
Average Daily Volume	('000)	3370
BSE Code		539551
Bloomberg		NARH:IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	63.85	63.85
Public	36.15	36.15
Total	100	100

Source: BSE

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Financials (INR in mn)	Q1FY22	Q4FY21	Q1FY21	YoY	QoQ	FY21	FY20	Var %
Income from operations	8598	8378	3935	119%	3%	25823	31278	-17%
Other Income	67	85	47			282	238	
Total Income	8665	8463	3982	118%	2%	26105	31516	-17%
Purchase of Medical Consumables & supplies	2293	2079	1043			6779	7453	
Inventory Change	-139	-10	63			0	0	
Employee Benefits	1906	1696	1529			6272	6737	
Professional Fees to Doctors	1492	1562	1031			5128	6290	
Other expenses	1709	1636	1179			5824	6569	
TOTAL EXPENSES	7261	6964	4845	50%	4%	24002	27049	-11%
EBITDA (ex OI)	1337	1414	-910		-5%	1821	4229	-57%
EBIT	956	1055	-1327			158	2610	
Interest	171	182	197			760	853	
Depreciation	447	445	464			1835	1857	
Profit Before Tax	786	872	-1524		-10%	-492	1757	
Tax	9	-172	337			-418	423	
Net Profit	794	700	-1187			-75	1335	
Minority Interest (after tax)	0	0	0			0	-1	
Profit/Loss of Associate Company	-14	-19	-10			-68	-34	
Net Profit after Minority Interest & P/L Asso.Co.	780	681	-1198		15%	-143	1299	
Extraordinary items	0	0	0			0	-109	
Net Profit after extraordinary items	762	680	-1198		12%	-143	1190	
Equity	2043.6	2043.6	2043.6			2043.6	#REF!	
EPS after Minority Interest	3.73	3.33	-5.86			-0.70	5.82	

Robust revenue growth on low base with improved ARPOB.

Turnaround with healthy EBITDA margins of 15.5%.

Lower employee spends , Doctor fees and other expenses improve profitability

Cost Analysis	Q1FY22	Q4FY21	Q1FY21	FY21	FY20
Purchase of Medical Consumables & supplies	26.7	24.8	26.5	26.2	23.8
Employee Benefits	22.2	20.2	38.9	24.3	21.5
Professional Fees to Doctors	17.3	18.6	26.2	19.9	20.1
Other expenses	19.9	19.5	30.0	22.6	21.0

Profitability	Q1FY22	Q4FY21	Q1FY21	FY21	FY20
EBITDA margin	15.5	16.9	-23.1	7.1	13.5
PBT margin	9.1	10.4	-38.7	-1.9	5.6
PAT margin	8.9	8.1	-30.4	-0.6	3.8

KTAs from concall

1. India

- Covid contributes 23% of India sales. Vaccine sales at Rs 214 mn.
- HCT Bengaluru, its flagship hospital treated Covid patients, thus reducing profitability.
- Benefit from higher utilization of facilities and ICU beds leading to increased realization (ARPOB).
- Developed an app NHCARE for delivery of medicines and online connection of patients to hospitals.
- NH witnessing normal business so far in the current quarter. Any spurt in Covid cases may disrupt normalcy and impact profitability.
- NH has plans of capacity expansion in Kolkatta, through organic/inorganic route.
- The company is working on transformation of its beds to improve revenues.

2. Cayman Islands

- 100 out of 110 beds operational.
- NH setup 2 clinics of referral doctors for critical care at Camana Bay in Neurology and Gynecology, leading to revenues of \$23.5 mn.
- The company has planned for 3 more clinics in Camana Bay with capex \$1mn each, expected to be operational by Q3FY22.

Valuation & Outlook

NH has achieved growth in Q1 across India through improved services and better utilization of facilities. The India profitability was impacted during Q1FY22. The management is confident of sustaining profitability going forward. In view of the increased ARPOB in India and Cayman Islands, we have increased our estimates for Sales/EBITDA/PAT by 15%/47%/123% for FY22 and 18%/57%/124% for FY23.

At Rs 525, NH trades at 32x FY23E EPS of Rs 16 and 15x EV/EBITDA. We have valued NH as a weighted average (50:50) at 18x FY23E EBITDA and 20x EV/Bed and arrived at a target price of Rs 596.

We upgrade our rating from SELL to BUY on the stock.

Financials

	FY19	FY20	FY21	FY22E	FY23E		FY19	FY20	FY21	FY22E	FY23E
Profit & Loss (Rs mn)						Cash Flow St. (Rs. mn)					
Income from Operations	28,609	31,278	25,823	35,016	40,765	Net Profit	593	1,190	(143)	2,357	3,337
Purchase of medical consumabl	6,875	7,453	6,779	8,719	9,784	Add: Dep. & Amort.	1,373	1,857	1,835	1,881	2,076
Employee costs	6,241	6,737	6,272	7,526	8,655	Cash profits	1,966	3,047	1,692	4,238	5,414
Professional fees to Doctors	5,898	6,290	5,128	6,653	8,153	(Inc)/Dec in					
Other expenses	6,717	6,569	5,824	6,639	7,303	-Sundry debtors	125	42	(163)	(573)	(551)
Cost of sales	25,731	27,049	24,002	29,538	33,895	-Inventories	4	230	124	(481)	(158)
Operating Profit	2,878	4,229	1,821	5,479	6,870	-Loans/advances	(72)	(123)	(112)	(26)	(28)
Depreciation	1,373	1,857	1,835	1,881	2,076	-Sundry creditors	241	696	1,099	1,159	143
PBIT	1,505	2,372	(14)	3,598	4,794	-Provisions	37	253	(125)	55	61
Other income	167	238	282	338	372	Change in working capit	335	1,097	823	135	(533)
Interest	714	853	760	703	676	CF from Oper. activities	2,302	4,144	2,515	4,373	4,881
Profit before tax	958	1,757	(492)	3,233	4,489	CF from Inv. activities	(2,255)	(2,345)	(592)	(2,373)	(2,858)
Provision for tax	341	423	(418)	841	1,167	CF from Fin. activities	58	(1,721)	(1,531)	(272)	(462)
PAT Bfr Excp Items	617	1,335	(75)	2,392	3,322	Cash generated/(utilisec	104	79	393	1,728	1,561
Minority Interest	-	(1)	0	-	-	Cash at start of the year	860	1,204	1,512	1,646	3,440
Share of Profit of Associate	(23)	(34)	(68)	(35)	15	Cash at end of the year	1,204	1,512	1,646	3,440	5,073
Extraordinary Items	-	(109)	-	-	-						
Net Profit	593	1,190	(143)	2,357	3,337						
Balance Sheet						Ratios					
Equity capital	2,044	2,044	2,044	2,044	2,044	OPM	10.1%	13.5%	7.1%	15.6%	16.9%
Reserves	8,768	9,316	9,159	11,108	13,832	NPM	2.1%	3.8%	-0.6%	6.7%	8.2%
Net worth	10,811	11,360	11,203	13,151	15,875	Tax rate	36%	24%	85%	26%	26%
Def. Tax Liab.+Minority Int.	483	549	136	148	164	Growth Ratios (%)					
Secured loans	7,253	6,185	5,041	5,041	5,041	Net Sales	25%	9%	-17%	36%	16%
Unsecured loans	1,283	1,410	1,322	1,433	1,555	Operating Profit	36%	47%	-57%	201%	25%
Total debt	8,536	7,595	6,363	6,474	6,596	PAT	15%	101%	-112%	-1750%	42%
Other Liab	1,394	1,303	1,238	1,362	1,498						
CAPITAL EMPLOYED	21,224	20,807	18,940	21,136	24,134	Per Share (Rs.)					
Gross block	23,906	25,885	26,913	28,413	30,913	Net Earnings (EPS)	2.90	5.82	-0.70	11.53	16.33
Accumulated depreciation	6,782	8,639	10,475	12,356	14,432	Cash Earnings (CPS)	9.62	14.91	8.28	20.74	26.49
Net block	17,124	17,245	16,438	16,057	16,481	Dividend	2.00	2.00	0.00	2.00	3.00
Capital WIP	362	118	183	1,000	1,000	Book Value	52.90	55.59	54.82	64.35	77.68
Total fixed assets	17,486	17,363	16,621	17,057	17,481	Free Cash Flow	0.3	-3.8	-1.8	13.1	15.6
Other Intangible assets	597	718	588	588	588	Valuation Ratios					
Goodwill	660	581	581	581	581	P/E(x)	180.8	90.1	-750.9	45.5	32.1
Equity accounted Investees	29	28	26	26	26	P/B(x)	9.9	9.4	9.6	8.2	6.8
Investments	145	835	1,177	1,177	1,477	EV/EBIDTA(x)	39.4	26.3	60.3	19.7	15.4
Other non current assets	1,980	1,840	1,127	1,182	1,240	EV/SALES(x)	4.0	3.6	4.2	3.1	2.6
Inventories	832	602	478	959	1,117	Div. Yield(%)	0.4%	0.4%	0.0%	0.4%	0.6%
Sundry debtors	2,664	2,622	2,785	3,358	3,909	FCF Yield(%)	0.1%	-0.7%	-0.3%	2.5%	3.0%
Cash & bank	1,204	1,512	1,646	3,440	5,073	Return Ratios (%)					
Loans & advances	293	417	529	555	583	ROE	5.5%	10.5%	-1.3%	17.9%	21.0%
Other current assets	477	382	449	494	543	ROCE	7.9%	12.5%	1.4%	18.6%	21.4%
Sundry creditors	4,720	5,417	6,515	7,675	7,818	ROIC	3.30	7.17	-0.97	15.71	20.96
Provisions	424	676	551	606	667						
Working capital	327	(558)	(1,180)	524	2,740						
CAPITAL DEPLOYED	21,224	20,807	18,940	21,136	24,134						

Source: Dalal & Broacha Research, Company

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