



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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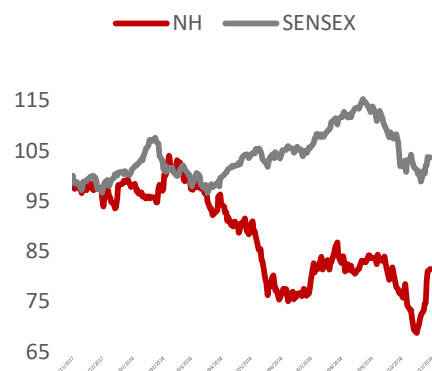
Neutral

Current Price	240
Target Price	273
Upside/Downside	9%
52 Week Range	206/320

Key Share Data

Market Cap (Rs.bn)	48.88
Market Cap (US\$ mn)	671.47
No of o/s shares (mn)	204.360
Face Value	10
Monthly Avg. vol	
(BSE+NSE) Nos'000	47.614
BSE Code	539551
NSE Code	NH
Bloomberg	NARH:IN

Price performance



% Shareholding	Sept-18	Jun-18
Promoters	63.85	63.85
DII	13.32	21.33
FII	15.46	5.20
Others	7.37	7.62
Total	100	100

Key Financials

Year	Net Sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)	RoCE (%)
FY16	16138.0	18%	1746.0	10.8%	213.0	-227%	1.04	235.0	2.4%	8.9%
FY17	18781.6	16%	2288.6	12.2%	830.5	290%	4.06	60.3	8.6%	11.8%
FY18	22809.1	21%	2122.7	9.3%	504.0	-39%	2.47	99.3	4.9%	6.4%
FY19E	29874.8	31%	2039.0	6.8%	242.4	-52%	1.19	206.6	2.4%	4.8%
FY20E	35821.0	20%	2942.8	8.2%	793.1	227%	3.88	63.1	7.5%	8.8%

Narayana Hrudayalaya Q2FY19 results were better than estimates.

Robust revenue growth, earnings hit due to higher interest costs

Revenues increased 27% yoy/9% qoq Rs 7112 mn, driven by growth from India (12%) and Cayman (14%).

India average revenue per occupied bed (ARPOB) increased 14% to Rs 24000/day, Cayman ARPOB decreased 11% to \$4600.

Occupancy rate for India was at 53% and Cayman was at 31%.

EBITDA increased by 26% to Rs 730 mn. EBITDA margins were at 10.3% (-10 bps yoy/ +300 bps qoq)

Interest costs rose 136% to Rs 183 mn, in view of the consolidation of Cayman debt. Depreciation increased by 19% Rs 340.2 mn in view of new hospitals commissioned at Mumbai and Gurugram.

PBT declined by 14% to Rs 238 mn.

PAT declined 25% to Rs 136 mn due to share of loss from associate (Rs 19 mn).

EPS for the quarter was at Rs 0.66.

Key takeaways from the concall

- Number of operating beds (ex- managed) increased by 375 beds to 5243. The increase in beds is on account of commissioning of Gurugram facility and addition of beds at Dharamshila and SRCC, where NH increased offerings.
- NH India Occupancy was lower at 53% compared to 62% a year ago.
- Overall India ARPOB was 14% higher yoy (+3% qoq) at Rs 8.8 mn.
- During Q2FY19 Cayman ARPOB dropped from \$1.9 mn to \$1.7 mn yoy, while occupancy marginally improved to 31%.

Outlook & Valuation

Narayana Hrudayalaya results for the quarter indicate better performance, on increased number of operating beds and ARPOB. However, the lower occupancy (53%) for the India business continues to be a concern. The company has taken steps to add to service offerings in the metros, which we believe should pan out over the next 2-3 quarters.

We have a NEUTRAL view on Narayana Hrudayalaya with a target price of Rs 273.



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	Q2FY19	Q1FY19	Q2FY18	yoy	qoq	FY18	FY17	Var %
Income from operations	7112.8	6523.4	5591.6	27%	9%	22809.1	18781.6	21%
Other Income	31.2	30.0	57.1			189.0	174.8	
Total Income	7144.0	6553.3	5648.7	26%	9%	22998.1	18956.5	21%
Purchase of Medical Consumables & supplies	1764.4	1612.7	1199.8			5690.2	4388.8	
Inventory Change	-67.9	-49.7	154.8			0.0	-29.8	
Employee Benefits	1555.3	1508.9	1094.8			4656.9	3752.1	
Professional Fees to Doctors	1492.5	1369.1	1164.9			4787.8	3855.7	
Other expenses	1638.6	1608.2	1396.4			5676.8	4526.3	
TOTAL EXPENSES	6382.9	6049.3	5010.7	27%	6%	20811.6	16493.1	26%
EBITDA (ex OI)	729.9	474.1	581.0	26%	54%	1997.4	2288.6	-13%
<i>EBITDA (ex-OI) margin</i>	<i>10.3%</i>	<i>7.3%</i>	<i>10.4%</i>			<i>8.8%</i>	<i>12.2%</i>	
EBIT	420.9	178.3	352.6	19%	136%	1312.1	1664.2	-21%
Interest	183.4	171.9	77.5			467.6	218.0	
Depreciation	340.2	325.8	285.5			999.5	799.2	
Profit Before Tax	237.5	6.4	275.1	-14%	3588%	844.6	1446.1	
Tax	82.3	30.0	96.5			289.6	523.7	
Net Profit	155.2	-23.5	178.6	-13%	-760%	555.0	922.5	-40%
Minority Interest (after tax)	0.0	0.0	0.0			-10.0	0.8	
Profit/Loss of Associate Company	-19.4	-17.9	1.5			-46.4	-79.3	
Net Profit after Minority Interest & P/L Asso.Co.	135.8	-41.4	180.1			498.6	843.9	-41%
Extraordinary items	0.0	0.0	0.0			5.4	-13.4	
Net Profit after extraordinary items	135.8	-41.4	180.1	-25%	-428%	504.0	830.5	-39%
NPM %	1.9%	-0.6%	3.2%			2.2%	4.4%	
Other comprehensive income	0.0	0.0	0.0			0.0	0.0	
Total comprehensive income	135.8	-41.4	180.1			504.0	830.5	
Equity	2043.6	2043.6	2043.6			2043.6	2043.6	
EPS after Minority Interest	0.66	-0.20	0.88			2.47	4.13	



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NARAYANA HRUDAYALAYA FINANCIALS											
	FY16	FY17	FY18	FY19E	FY20E		FY16	FY17	FY18	FY19E	FY20E
Profit & Loss (Rs mn)						Cash Flow St. (Rs. mn)					
Income from Operations	16,138	18,782	22,809	29,875	35,821	Net Profit	213	831	504	242	793
Purchase of medical consuma	3,871	4,359	5,565	7,170	8,597	Add: Dep. & Amort.	761	799	1,000	1,266	1,335
Employee costs	3,025	3,752	4,657	7,032	8,790	Cash profits	974	1,630	1,504	1,509	2,128
Professional fees to Doctors	3,522	3,856	4,788	6,274	7,343	(Inc)/Dec in					
Other expenses	3,974	4,526	5,677	7,360	8,148	-Sundry debtors	(89)	(51)	(1,221)	(893)	(733)
Cost of sales	14,392	16,493	20,686	27,836	32,878	-Inventories	15	(26)	(313)	(228)	(408)
Operating Profit	1,746	2,289	2,123	2,039	2,943	-Loans/advances	1,262	(161)	162	(11)	(12)
Depreciation	761	799	1,000	1,266	1,335	-Sundry creditors	209	(443)	2,339	841	1,059
PBIT	985	1,489	1,123	773	1,608	-Provisions	70	21	114	97	97
Other income	147	175	189	217	250	Change in working cap	1,467	(659)	1,082	(195)	3
Interest	294	218	468	661	624	CF from Oper. activitie	2,441	970	2,585	1,314	2,131
Profit before tax	838	1,446	845	329	1,234	CF from Inv. activities	(3,625)	(1,405)	(8,030)	(1,035)	(1,898)
Provision for tax	301	524	290	79	426	CF from Fin. activities	1,373	492	5,850	(234)	(216)
PAT Bfr Excp Items	537	922	555	250	808	Cash generated/(utilise	188	57	405	46	17
Minority Interest	4	1	(10)	(8)	(15)	Cash at start of the year	295	243	341	353	339
Share of Profit of Associate	(217)	(79)	(46)	-	-	Cash at end of the year	243	341	353	339	291
Extraordinary Items	(110)	(13)	5	-	-	Ratios					
Net Profit	213	831	504	242	793	OPM	10.8%	12.2%	9.3%	6.8%	8.2%
Balance Sheet						NPM	1.3%	4.4%	2.2%	0.8%	2.2%
Equity capital	2,044	2,044	2,044	2,044	2,044	Tax rate	36%	36%	34%	24%	34%
Reserves	6,716	7,587	8,314	8,147	8,532	Growth Ratios (%)					
Net worth	8,760	9,631	10,357	10,191	10,575	Net Sales	18%	16%	21%	31%	20%
Def. Tax Liab.+Minority Int.	234	250	399	439	483	Operating Profit	43%	31%	-7%	-4%	44%
Secured loans	1,876	1,798	6,963	6,963	6,963	PAT	-227%	290%	-39%	-52%	227%
Unsecured loans	478	1,023	1,421	1,421	1,421	Per Share (Rs.)					
Total debt	2,353	2,821	8,384	8,384	8,384	Net Earnings (EPS)	1.04	4.06	2.47	1.19	3.88
Other Liab	1,385	1,353	1,350	1,485	1,633	Cash Earnings (CPS)	4.77	7.97	7.36	7.38	10.41
CAPITAL EMPLOYED	12,732	14,055	20,490	20,498	21,075	Dividend	0.00	1.00	2.00	2.00	2.00
Gross block	13,537	14,619	22,526	23,526	25,026	Book Value	42.86	47.13	50.68	49.87	51.75
Accumulated depreciation	3,611	4,410	5,409	6,676	8,011	Free Cash Flow	-0.2	-2.3	-26.2	1.8	1.6
Net block	9,927	10,209	17,117	16,850	17,015	Valuation Ratios					
Capital WIP	138	530	350	250	500	P/E(x)	235.0	60.3	99.3	206.6	63.1
Total fixed assets	10,065	10,740	17,467	17,100	17,515	P/B(x)	5.7	5.2	4.8	4.9	4.7
Other Intangible assets	28	27	703	703	703	EV/EBIDTA(x)	1.2	0.9	1.0	1.0	0.7
Goodwill	590	581	660	660	660	EV/SALES(x)	0.1	0.1	0.1	0.1	0.1
Equity accounted Investees	869	928	37	37	37	Div. Yield(%)	0.0%	0.4%	0.8%	0.8%	0.8%
Investments	3	33	50	50	50	FCF Yield(%)	-0.1%	-0.9%	-10.7%	0.7%	0.7%
Other non current assets	1,291	1,143	1,564	1,700	1,847	Return Ratios (%)					
Inventories	497	524	836	1,064	1,472	ROE	2.4%	8.6%	4.9%	2.4%	7.5%
Sundry debtors	1,518	1,569	2,790	3,683	4,416	ROCE	8.9%	11.8%	6.4%	4.8%	8.8%
Cash & bank	243	341	353	339	291						
Loans & advances	221	383	221	232	244						
Other current assets	240	199	593	653	718						
Sundry creditors	2,583	2,140	4,479	5,320	6,379						
Provisions	252	273	387	484	580						
Working capital	(114)	603	(73)	167	182						
CAPITAL DEPLOYED	12,732	14,055	20,409	20,418	20,995						



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