

NH has seen turnaround due to increase in day care procedures across India post Covid. However, volume recovery in elective surgeries and international patients continue to remain a challenge.

- **Sales** came in at Rs 9403 mn +57% yoy/+9% qoq, 6% above our estimate.
- **EBITDA** came in at Rs 1689 mn, +531% yoy/+26% qoq.
- EBITDA margins at 18% Vs our estimate of 16.6%, +1350 bps yoy/+250 bps qoq.
- PAT came in at Rs 989 mn, against a net loss of Rs 34 mn in Q2FY21/+30% qoq.
- EPS for the quarter came in at Rs 4.84.

Key Result Highlights

- **India revenues** (+68% yoy/+12% qoq) to Rs 7638 mn. India ARPOB increased 23% on low base to Rs 12.2 mn, 6% higher than our estimates. Operating beds were at 6178 (+186 beds qoq). Revenue from new hospitals +36% at Rs 993 mn.
- **Cayman revenues** (CC +1% yoy) to Rs 1458 mn (\$19.7 mn). Cayman ARPOB (-14% yoy on high base/flat qoq) to \$ 1.9 mn.
- Total Expenses (+34% yoy/+6% qoq) to Rs 7714 mn on low base yoy. Increase in expenses was mainly from Purchase of consumables (25% of sales, +52%) Rs 2389 mn, Employee costs (20% of sales, +28%) Rs 1893 mn, other expenses (+20% Rs 1770 mn), Doctor fees (18% of sales, +44%) Rs 1676 mn.
- Ind AS 116 benefit of Rs 144 mn on EBITDA and decrease of Rs 5 mn in PAT. Excluding Ind AS benefit, EBITDA margin was at 16.4%.
- Interest -14% at Rs 166 mn and depreciation -1% at Rs 459 mn.

Financial Summary

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)	188	94	(782)	47	33
P/B (x)	10	10	10	8	7
EV/EBITDA (x)	41	27	63	21	16
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	0.5

Source: Company

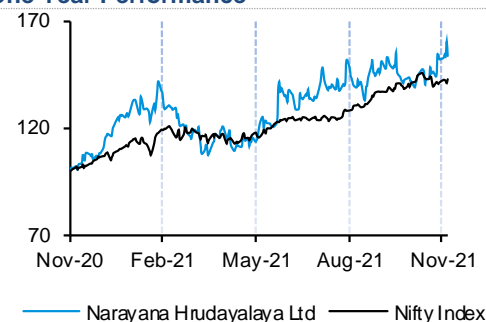
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	596	9

Market data

Current price	Rs	548
Market Cap (Rs.Bn)	(Rs Bn)	112
Market Cap (US\$ Mn)	(US\$ Mn)	1,502
Face Value	Rs	10
52 Weeks High/Low	Rs	623/ 339
Average Daily Volume	('000)	6,135
BSE Code		539551
Bloomberg		NARH.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	63.85	50.55
Public	35.45	35.44
Others	0.70	0.71
Total	100	100

Source: Bloomberg

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Conference Call Highlights

A. NH India

- International patients continue to be low (1% from 10% pre-Covid), due to issues in granting visa for medical tourism.
- Sales from vaccination at Rs 230 mn during the quarter.
- Volume recovery post Covid at top 3 hospitals muted.
- Patient volumes improving at hospitals where there is no Covid.
- NH has focussed on image guided therapies at its Centres of Excellence in oncology. Increase in day care procedures driving current growth.
- Contribution from oncology to sales to increase from 13% to 20% over the next 2 years.

Elective surgeries are lower than pre-Covid levels.

By Cluster

- Bangalore (31% of sales) +79% with EBITDAR margin at 21.5%.
- South Peripheral (7% of sales) +31% with EBITDAR margin at 24.4%.
- Kolkata (29% of sales) +87% with EBITDAR margin at 21.2%.
- Eastern Peripheral (5% of sales) +68% with EBITDAR margin at 15.9%.
- Western (17% of sales) +50% with EBITDAR margin at 10.2%.
- Delhi NCR (10% of sales) +40% with EBITDAR 3.7%.

Sequential margin (EBITDAR) improvement in Bangalore, Kolkatta, South Peripheral and Western clusters.

B. Cayman Islands

- Growth in Cayman through Clinics. Currently 3 clinics, plans to add one more.
- OPD footfalls are lower than pre-Covid levels.
- Currently Cayman Islands impacted with Covid cases, with a weak Q3.

Cayman currently impacted with rise in Covid cases.

D. Financials

- **Increased material costs to marginally reduce profitability.**

Quarterly Financials

Financials (INR in mn)	Q2FY22	Q1FY22	Q2FY21	YoY	QoQ	H1FY22	H1FY21	Var %
Income from operations	9403	8598	6007	57%	9%	18001	9942	81%
Other Income	121	67	104			188	151	
Total Income	9524	8665	6111	56%	10%	18189	10093	80%
Purchase of Medical Consumables & supplies	2389	2293	1577			4682	2619	
Inventory Change	-14	-139	39			-153	102	
Employee Benefits	1893	1906	1476			3799	3005	
Professional Fees to Doctors	1676	1492	1168			3168	2199	
Other expenses	1770	1709	1480			3479	2659	
TOTAL EXPENSES	7714	7261	5740	34%	6%	14975	10584	41%
EBITDA (ex OI)	1689	1337	268	531%	26%	3026	-642	-571%
EBIT	1351	956	-90			2308	-1417	
Interest	167	171	194			337	392	
Depreciation	459	447	462			906	926	
Profit Before Tax	1185	786	-285	-516%	51%	1970	-1809	
Tax	172	9	261			181	598	
Net Profit	1357	794	-24			1789	-1211	
Minority Interest (after tax)	-1	0	0			-1	0	
Profit/Loss of Associate Company	-22	-14	-10			-37	-21	
Net Profit after Minority Interest & P/L Asso.Co.	1334	780	-34		71%	1752	-1232	
Extraordinary items	0	0	0			0	0	
Net Profit after extraordinary items	989	762	-34		12%	1752	-1232	
Equity	2043.6	2043.6	2043.6			2043.6	2043.6	
EPS after Minority Interest	4.84	3.73	-0.17			8.57	-6.03	

Strong revenue growth yoy, on low base and increased volumes and ARPOB at Centres of Excellence

Increased costs due to Covid and vaccination

Interest costs lower due to debt repayment

Cost Analysis	Q2FY22	Q1FY22	Q2FY21	H1FY22	H1FY21
Purchase of Medical Consumables & supplies	25.4	26.7	26.2	26.0	26.3
Employee Benefits	20.1	22.2	24.6	21.1	30.2
Professional Fees to Doctors	17.8	17.3	19.4	17.6	22.1
Other expenses	18.8	19.9	24.6	19.3	26.7
Profitability	Q2FY22	Q1FY22	Q2FY21	H1FY22	H1FY21
EBITDA margin	18.0	15.5	4.5	16.8	-6.5
PBT margin	12.6	9.1	-4.7	10.9	-18.2
PAT margin	10.5	8.9	-0.6	9.7	-12.4

Source: Dalal & Broacha Research

Valuation & Outlook

Volume recovery in elective surgeries and international patients in India are key factors to improve growth going forward. Further, Covid cases at Cayman will impact Q3 revenues till the situation improves. The post Covid normalcy in Inpatient revenues and profitability hold key to sustainable operations going forward.

At Rs 547, NH trades at 34x FY23E EPS of 16.3 and 16x EV/EBITDA.

In view of the increase in share price, we lower our rating to **ACCUMULATE**.

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	FY19	FY20	FY21	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
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)	188.4	93.9	-782.4	47.4	33.5
Equity accounted Investees	29	28	26	26	26	P/B(x)	10.3	9.8	10.0	8.5	7.0
Investments	145	835	1,177	1,177	1,477	EV/EBIDTA(x)	40.9	27.4	62.7	20.5	16.1
Other non current assets	1,980	1,840	1,127	1,182	1,240	EV/SALES(x)	4.1	3.7	4.4	3.2	2.7
Inventories	832	602	478	959	1,117	Div. Yield(%)	0.4%	0.4%	0.0%	0.4%	0.5%
Sundry debtors	2,664	2,622	2,785	3,358	3,909	FCF Yield(%)	0.1%	-0.7%	-0.3%	2.4%	2.8%
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

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