



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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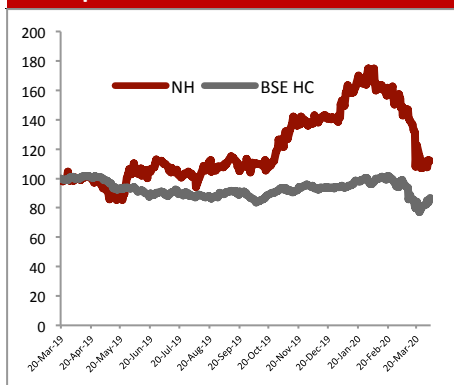
Accumulate

Current Price	279
Target Price	293
Upside/Downside	5%
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



Narayana Hrudayalaya Q4FY20 results were better than Expectations. The quarter saw a lower than expected impact due to 8% increase in NH India ARPOB, increase in operating beds due to commencement of Chittagong Heart center Bangladesh and 40% growth from new hospitals in India. Despite degrowth in Cayman revenues, EBITDA margins were highest so far at 29.6%.

The quarter saw an impairment of Rs 108.7 mn towards the Dharamshila facility in view of continued losses and relatively lower forecasts due to Covid19, included as an exceptional item.

We believe normalcy at Cayman as well as India will take a few quarters. International travel will also take 1-2 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:

- NH has revised its price lists for services rendered.
- The company has renegotiated service and supply contracts to ensure cost control in FY21.
- The company has also implemented salary cuts of 5-15% resulting in lower costs in FY21.
- The Cayman occupancy may reach 30-35% over 1-2 quarters, as there are no international travellers in the region.
- 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.

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.

% 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
FY20	31278.1	9%	4229.3	13.5%	1190.3	101%	5.82	47.2	10.5%	12.5%	12.6
FY21E	23603.2	-25%	1849.1	7.8%	-718.3	-160%	-3.51	-78.2	-6.7%	0.8%	28.7
FY22E	30578.3	30%	4326.2	14.1%	1308.7	-282%	6.40	42.9	11.3%	11.8%	12.0



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Consolidated **Revenues** degrew -3% yoy to INR 7430 mn.

- **India revenues** (-2% yoy/-5% qoq) to Rs 6394 mn. India ARPOB increased 8% to Rs 9.7 mn. Operating beds were marginally higher at 5859 (+89 beds qoq), due to commencement of operations at Chittagong Heart Centre, Bangladesh. Revenue from new hospitals +40% at Rs 639 mn.
- **Cayman revenues** (-12% yoy/-7% qoq) to Rs 1037 mn (\$14.2 mn). Cayman ARPOB (-6% yoy/+7% qoq) to \$ 1.5 mn. The occupancy was at 36% compared to 40% in Q3FY20.
- The expenses were lower by 4% during the quarter leading to 7% growth in EBITDA and EBITDA margins of 12.9%.

By Cluster

- Karnataka (38% of sales) +4% with lower EBITDAR margin at 30.7% vs (29.5% in Q2FY20).
- Kolkata (28% of sales) +7% with EBITDAR 21.7% (22% qoq).
- Western (15% of sales) +15% with EBITDAR 3.4% (2.7% qoq).
- Delhi NCR (8% of sales) +37% with EBITDAR -18.1% (-18.5% qoq).
- South Peripheral (6% of sales) +8% with EBITDAR 18.4% (20.7% qoq).

	Q4FY20	Q3FY20	Q4FY19	YoY	QoQ	FY20	FY19	Var %
Income from operations	7429	7852	7652	-3%	-5%	23849	20957	14%
Other Income	70	55	72			167	189	
Total Income	7500	7907	7724	-3%	-5%	24016	22998	4%
Purchase of Medical Consumables & supplies	1600	1861	1737			5624	5134	10%
Inventory Change	188	-14	119			42	-125	-133%
Employee Benefits	1680	1717	1596			4923	4644	6%
Professional Fees to Doctors	1520	1589	1512			4981	4386	14%
Other expenses	1484	1672	1793			5007	5677	-12%
TOTAL EXPENSES	6472	6825	6757	-4%	-5%	20577	20686	-1%
EBITDA (ex OI)	957	1027	895	7%	-7%	3272	2123	54%
<i>EBITDA (ex-OI) margin</i>	<i>12.9%</i>	<i>13.1%</i>	<i>11.7%</i>			<i>13.7%</i>	<i>9.3%</i>	
EBIT	477	618	608	-22%	-23%	1672	1312	27%
Interest	208	206	175			645	468	
Depreciation	551	464	359			1307	1000	
Profit Before Tax	269	412	434	-38%	-35%	958	845	
Tax	36	88	98			387	290	
Net Profit	233	324	335	-31%	-28%	571	555	3%
Minority Interest (after tax)	0	0	0			0	0	
Profit/Loss of Associate Company	-5	-10	37			-30	-46	
Net Profit after Minority Interest & P/L Asso.Co.	229	314	373			542	509	7%
Extraordinary items	-109	0	0			0	5	
Net Profit after extraordinary items	120	314	373	-68%	-62%	593	514	15%
NPM %	1.6%	4.0%	4.9%			2.5%	2.3%	
Other comprehensive income	-94	-94	-118			-283	35	
Total comprehensive income	26	220	255			310	549	
Equity	2043.6	2043.6	2043.6			2043.6	2043.6	
EPS after Minority Interest	0.59	1.54	1.82			5.24	2.52	



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KTAs from concall

1. In FY20, India business saw an impact of Rs 700 mn on revenues and Rs 350 mn on EBITDA.
2. Ind AS impact of Rs 180 mn in Q4FY20, and Rs 380-390 mn in FY20.
3. Both NH India and Cayman Islands have been impacted in the current quarter. With April and May under lockdown, revenues have been very low. June has seen recovery with revenues close to break even. The company is incurring cash loss at EBITDA level during Q1.
4. In Cayman Islands, the operations resumed around mid April with low occupancy levels due to lack of international travellers. Currently, around 30-32 beds are occupied at Cayman compared to 40 in Q4FY20.
5. The company has revised its price lists and expects a higher ARPOB from India.
6. NH has dedicated 4 hospitals namely SRCC Mumbai, Ahmedabad, RTICS and Jaipur for Covid19. The company has also set up separate wards for Covid19 patients in its existing network in India.
7. The company has setup online clinics for international patients from Bangladesh and plans to expand to South Africa. This will help international patients plan for surgeries once travel resumes.
8. NH has implemented cost control measures to minimize operating costs.
9. Covid19 has resulted in temporary postponement of elective surgeries, leading to lower occupancies at its hospitals in India.
10. The company expects pick up in elective surgeries, once the Covid19 cases start waning off.

We have revised our estimates in view of lower occupancy levels in India as well as Cayman Islands. With 70% of costs being fixed in nature, the impact on profits is much larger leading to a net loss of Rs 765 mn in FY21E. We believe the challenges faced by NH are temporary in nature and expect recovery over the coming quarters in both India and Cayman Islands. We also believe elective surgeries cannot be deferred for long and hence hospitals should see pickup over 1-2 quarters. We therefore retain our ACCUMULATE rating on the stock.

	FY21E	FY21E(O)	% change	FY22E	FY22E(O)	% change
Net Sales	23603	29238	-19%	30578	35152	-13%
% growth	-25%	9%		30%	12%	
EBITDA	1802	3058	-41%	4326	4861	-11%
OPM	7.6%	13.8%		14.1%	14.6%	
PAT	-765	600		1309	1831	-29%
% growth	-164%	26%		-271%	34%	
EPS	-3.75	2.94		6.40	8.96	



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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	23,603	30,578	Net Profit	514	593	1,190	(718)	1,309
Purchase of medical consumables	5,565	6,875	7,453	5,311	7,186	Add: Dep. & Amort.	1,000	1,373	1,857	1,847	1,934
Employee costs	4,657	6,241	6,737	5,726	6,299	Cash profits	1,514	1,966	3,047	1,129	3,243
Professional fees to Doctors	4,788	5,898	6,290	4,673	6,421	(Inc)/Dec in					
Other expenses	5,677	6,717	6,569	6,044	6,346	-Sundry debtors	(1,221)	125	42	682	(1,411)
Cost of sales	20,686	25,731	27,049	21,754	26,252	-Inventories	(313)	4	230	(44)	(191)
Operating Profit	2,123	2,878	4,229	1,849	4,326	-Loans/advances	162	(72)	(123)	(29)	(22)
Depreciation	1,000	1,373	1,857	1,847	1,934	-Sundry creditors	2,339	241	696	(1,019)	1,299
PBIT	1,123	1,505	2,372	2	2,392	-Provisions	114	37	253	169	169
Other income	189	167	238	160	192	Change in working capital	1,082	335	1,097	(241)	(156)
Interest	468	714	853	850	788	CF from Oper. activities	2,595	2,302	4,144	887	3,087
Profit before tax	845	958	1,757	(688)	1,796	CF from Inv. activities	(7,522)	(2,255)	(2,345)	(236)	(3,095)
Provision for tax	290	341	423	-	467	CF from Fin. activities	5,840	58	(1,721)	483	(205)
PAT Bfr Excp Items	555	617	1,335	(688)	1,329	Cash generated/(utilised)	913	104	79	1,135	(212)
Minority Interest	-	-	(1)	-	-	Cash at start of the year	341	860	1,204	1,512	2,739
Share of Profit of Associate	(46)	(23)	(34)	(30)	(20)	Cash at end of the year	860	1,204	1,512	2,739	2,628
Extraordinary Items	5	-	(109)	-	-						
Net Profit	514	593	1,190	(718)	1,309						
Balance Sheet						Ratios					
Equity capital	2,044	2,044	2,044	2,044	2,044	OPM	9.3%	10.1%	13.5%	7.8%	14.1%
Reserves	8,314	8,768	9,316	8,598	9,498	NPM	2.3%	2.1%	3.8%	-3.0%	4.3%
Net worth	10,357	10,811	11,360	10,641	11,541	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%	-25%	30%
Unsecured loans	1,421	1,283	1,410	1,840	1,984	Operating Profit	-7%	36%	47%	-56%	134%
Total debt	8,384	8,536	7,595	8,026	8,169	PAT	-38%	15%	101%	-160%	-282%
Other Liab	1,350	1,394	1,303	1,434	1,577						
CAPITAL EMPLOYED	20,490	21,224	20,807	20,703	21,950	Per Share (Rs.)					
Gross block	22,526	23,906	25,885	26,885	28,385	Net Earnings (EPS)	2.52	2.90	5.82	-3.51	6.40
Accumulated depreciation	5,409	6,782	8,639	10,486	12,421	Cash Earnings (CPS)	7.41	9.62	14.91	5.52	15.87
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	52.07	56.48
Total fixed assets	17,385	17,486	17,363	16,516	16,082	Free Cash Flow	-30.1	0.3	-3.8	6.2	2.3
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)	109.3	94.7	47.2	-78.2	42.9
Investments	50	145	835	0	1,500	P/B(x)	5.4	5.2	4.9	5.3	4.9
Other non current assets	1,219	1,980	1,840	1,911	2,005	EV/EBIDTA(x)	26.2	19.2	12.6	28.7	12.0
Inventories	836	832	602	647	838	EV/SALES(x)	2.4	1.9	1.7	2.3	1.7
Sundry debtors	2,790	2,664	2,622	1,940	3,351	Div. Yield(%)	0.7%	0.7%	0.7%	0.0%	0.7%
Cash & bank	860	1,204	1,512	2,739	2,628	FCF Yield(%)	-11.0%	0.1%	-1.4%	2.3%	0.8%
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	4,397	5,697	ROE	5.0%	5.5%	10.5%	-6.7%	11.3%
Provisions	387	424	676	845	1,014	ROCE	6.4%	7.9%	12.5%	0.8%	11.8%
Working capital	435	327	(558)	949	1,036						
CAPITAL DEPLOYED	20,490	21,224	20,807	20,703	21,950						



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