



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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## Result update@ Dalal & Broacha

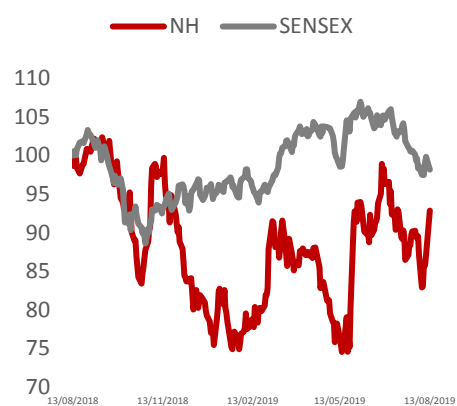
### BUY

Current Price	230
Target Price	<b>273</b>
Upside/Downside	19%
52 Week Range	185/287

### Key Share Data

Market Cap (Rs.bn)	47.04
Market Cap (US\$ mn)	673.09
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	Jun-19	Mar-19
Promoters	63.85	63.85
DII	4.01	4.01
FII	15.75	15.71
Others	16.39	16.39
Total	100	100

### Narayana Hrudayalaya Q1FY20 results were better than Expectations on account of improvement in overall operational efficiencies, contributed mainly by Cayman Islands

The Topline grew by 19% yoy/1.5% qoq to Rs 7774 mn, as against our estimates of Rs. 7460 mn, driven by growth of 15% YoY from India (86% of the Topline) and Robust growth of 39.4% YoY from Cayman Islands (14% of the Topline) The EBITDA stood at Rs.1076 mn, grew by 113%YoY/10% QoQ, as against our estimates of RS. 830mn. The EBITDA Margins stood at 13.8% grew by 610 bps yoy/120 bps QoQ. The employee expenses stood at 21.9% of Topline, as against estimated of 22% of sales, professional fees at 20% of Topline and other expenses at 21% of the Topline, as against estimated of 24% of Topline. Further, their Cayman islands performed exceptionally well delivering an EBITDA margin of 22.3% as against 6.3% in Q1FY19 and 17.4% in Q4FY19. On account of IND AS 116, resulted in INR 82.3 mn increase in EBITDA. The Interest costs stood at Rs 222.3 mn, growing by 28%YoY/27% QoQ. The Profit after Tax (PAT) stood at Rs. 3021 mn, as against loss of RS. (41.43)mn and 2% degrowth, QoQ. The margins stood at 4.0%, degrowth of 90bps QoQ. The margin decline QoQ was mainly on account of high other income of RS. 72mn in Q4FY20 as against 48 mn in this quarter. On account of IND AS116, there was a decrease of INR 19.9 mn in PAT. The EPS for the quarter was at Rs 1.49 v/s 1.83 in Q4FY19 and (0.21) in Q1FY19.

### Conference call key highlights -

1. The Delhi NCR hospital grew by 57% and had an ARPOB of Rs. 14.3 mn which was the highest amongst all the hospital. The Delhi NCR hospital now contributes 7% to the Topline as against 6% earlier. Further the hospital remains EBITDA negative at 24% as against negative 30% in Q4FY19. Further, The eastern peripheral (5% of Topline) mainly Jamshedpur and Guwahati hospitals showed robust growth. The EBITDA %was at 10% as against 4% in Q1FY19.
2. Oncology now contributes 10% to the Topline as against 7% earlier. This was due to Gurugram hospital starting Oncology treatment
3. Consolidated net debt stands at Rs. 6691 mn, having a cash of Rs. 1134mn
4. The hospital had installed new software for its billing, maintaining customer history, customer data etc., which was capitalized till now. The amount of the same will hit the P&L in the coming quarters.
5. The company is now focusing only on managing hospitals and not on acquiring any new hospital i.e. making it an asset light model, thereby limiting the capex. Also, in Cayman islands, the expansion plan is over and if any further expansion is taken it would be on account on only managing the hospital.
6. The company's revenue mix towards treatment like cardiac (43% of Topline), Gastro (13% of the Topline) etc., won't change going forward but the number of complex cases coming to them would increase the profitability amongst the treatment.

### Outlook & Valuation

The management has guided that no new acquisitions/mergers will take place and full focus would be on growing the inherent business. Secondly, this was the second consecutive quarter when Narayana performed better than our expectations. In view of the same we are confident that the Narayana shall perform better as compared to earlier quarters and improve the profitability. In view of the same we recommend a **BUY** with a price target price of Rs 273. The stock is valued at 37.5x FY20 and 26x FY21E at an EPS of in Rs. 6.13 in FY20 and Rs. 8.85 FY21E

### Key Financials

Year	Net Sales	% Growth	EBITDA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)	RoCE (%)
FY17	18781.6	16%	2288.6	12.2%	830.5	290%	4.06	56.7	8.6%	11.8%
FY18	22809.1	21%	2122.7	9.3%	514.0	-38%	2.52	91.6	5.0%	6.4%
FY19	28609.2	25%	2878.1	10.1%	593.3	15%	2.90	79.4	5.5%	7.9%
FY20E	33218.1	16%	4215.9	12.7%	1252.2	111%	6.13	37.5	10.7%	11.7%
FY21E	37275.5	12%	5147.9	13.8%	1808.5	44%	8.85	26.0	13.9%	14.4%



Narayana Hrudayalaya Q1FY20 Results (In INR mn)					
Particulars	Q1FY20	Q1FY19	Q4FY19	YoY	QoQ
Revenue for Operations	7774	6523	7652	19%	2%
COGS	1903	1563	1856		
Gross Profit	5871	4960	5796	18%	1%
GP%	76%	76%	76%		
Doctor Expenses	1762	1457	1762	21%	0%
% of Sales	23%	22%	23%		
Employee Expenses	1446	1421	1346	2%	7%
% of Sales	19%	22%	18%		
Other expenses	1635	1608	1793	2%	-9%
% of Sales	21%	25%	23%		
EBITDA	1028	474	895	117%	15%
EBITDA %	13.22%	7.27%	11.70%		
Depreciation	414	326	359	27%	15%
Interest	222	172	175	29%	27%
Other Income	48	30	72	60%	-33%
PBT	440	6	433	7233%	
PBT %	6%	0%	6%		
Tax	130	30	99	333%	31%
Tax Rate %	29.55%	500%	22.86%		
PAT	310	-24	334		-7%
PAT%	4%		4%		
Share of Profit/(Loss)	-7	-18	37		
Adjusted PAT	303	-42	371		-18%
EPS	1.49	-0.21	1.83		



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NARAYANA HRUDAYALAYA FINANCIALS									
	FY18	FY19	FY20E	FY21E		FY18	FY19	FY20E	FY21E
<b>Profit &amp; Loss (Rs mn)</b>					<b>Cash Flow St. (Rs. mn)</b>				
<b>Income from Operations</b>	<b>22,809</b>	<b>28,609</b>	<b>33,218</b>	<b>37,275</b>	Net Profit	514	593	1,252	1,808
Purchase of medical consumables	5,565	6,875	8,105	8,946	Add: Dep. & Amort.	1,000	1,373	1,795	1,925
Employee costs	4,657	6,241	6,865	7,894	<b>Cash profits</b>	<b>1,514</b>	<b>1,966</b>	<b>3,047</b>	<b>3,733</b>
Professional fees to Doctors	4,788	5,898	6,644	7,455	(Inc)/Dec in				
Other expenses	5,677	6,717	7,389	7,832	-Sundry debtors	(1,221)	125	(976)	(445)
<b>Cost of sales</b>	<b>20,686</b>	<b>25,731</b>	<b>29,002</b>	<b>32,128</b>	-Inventories	(313)	4	(442)	(156)
<b>Operating Profit</b>	<b>2,123</b>	<b>2,878</b>	<b>4,216</b>	<b>5,148</b>	-Loans/advances	162	(72)	(21)	(22)
Depreciation	1,000	1,373	1,795	1,925	-Sundry creditors	2,339	241	1,468	756
PBIT	1,123	1,505	2,421	3,223	-Provisions	114	37	106	132
Other income	189	167	192	220	Change in working cap	1,082	335	135	266
Interest	468	714	663	663	<b>CF from Oper. activities</b>	<b>2,595</b>	<b>2,302</b>	<b>3,182</b>	<b>3,999</b>
<b>Profit before tax</b>	<b>845</b>	<b>958</b>	<b>1,950</b>	<b>2,781</b>	<b>CF from Inv. activities</b>	<b>(7,522)</b>	<b>(2,255)</b>	<b>(226)</b>	<b>(393)</b>
Provision for tax	290	341	682	973	<b>CF from Fin. activities</b>	<b>5,840</b>	<b>58</b>	<b>(221)</b>	<b>(203)</b>
PAT Bfr Excp Items	555	617	1,267	1,807	<b>Cash generated/(utilised)</b>	<b>913</b>	<b>104</b>	<b>2,735</b>	<b>3,403</b>
Minority Interest	-	-	(15)	-	Cash at start of the year	341	860	1,204	3,891
Share of Profit of Associate	(46)	(23)	-	-	Cash at end of the year	860	1,204	3,891	7,242
Extraordinary Items	5	-	-	1					
Net Profit	514	593	1,252	1,808	<b>Ratios</b>				
<b>Balance Sheet</b>					OPM	9.3%	10.1%	12.7%	13.8%
Equity capital	2,044	2,044	2,044	2,044	NPM	2.3%	2.1%	3.8%	4.9%
Reserves	8,314	8,768	9,611	11,010	Tax rate	34%	36%	35%	35%
<b>Net worth</b>	<b>10,357</b>	<b>10,811</b>	<b>11,655</b>	<b>13,054</b>	<b>Growth Ratios (%)</b>				
Def. Tax Liab.+Minority Int.	399	483	531	584	Net Sales	21%	25%	16%	12%
Secured loans	6,963	7,253	7,253	7,253	Operating Profit	-7%	36%	46%	22%
Unsecured loans	1,421	1,283	1,283	1,283	PAT	-38%	15%	111%	44%
<b>Total debt</b>	<b>8,384</b>	<b>8,536</b>	<b>8,536</b>	<b>8,536</b>					
Other Liab	1,350	1,394	1,533	1,687	<b>Per Share (Rs.)</b>				
<b>CAPITAL EMPLOYED</b>	<b>20,490</b>	<b>21,224</b>	<b>22,255</b>	<b>23,861</b>	<b>Net Earnings (EPS)</b>	2.52	2.90	6.13	8.85
Gross block	22,526	23,906	23,956	24,156	<b>Cash Earnings (CPS)</b>	7.41	9.62	14.91	18.27
Accumulated depreciation	5,409	6,782	8,577	10,502	Dividend	2.00	2.00	2.00	2.00
Net block	17,117	17,124	15,379	13,655	Book Value	50.68	52.90	57.03	63.88
Capital WIP	269	362	362	362	Free Cash Flow	-30.1	0.3	14.3	16.2
<b>Total fixed assets</b>	<b>17,385</b>	<b>17,486</b>	<b>15,741</b>	<b>14,016</b>	<b>Valuation Ratios</b>				
Other Intangible assets	703	597	597	597	<b>P/E(x)</b>	91.6	79.4	37.6	26.0
Goodwill	660	660	660	660	P/B(x)	4.5	4.4	4.0	3.6
Equity accounted Investees	37	29	29	29	EV/EBIDTA(x)	23.1	17.1	11.6	9.5
Investments	50	145	145	145	EV/SALES(x)	2.2	1.7	1.5	1.3
Other non current assets	1,138	1,939	2,116	2,309	Div. Yield(%)	0.9%	0.9%	0.9%	0.9%
Inventories	836	832	1,274	1,430	<b>FCF Yield(%)</b>	-13.1%	0.2%	6.2%	7.0%
Sundry debtors	2,790	2,664	3,640	4,085	<b>Return Ratios (%)</b>				
Cash & bank	860	1,204	3,891	7,242	<b>ROE</b>	5.0%	5.5%	10.7%	13.9%
Loans & advances	221	293	314	336	<b>ROCE</b>	6.4%	7.9%	11.7%	14.4%
Other current assets	593	477	524	577					
Sundry creditors	4,479	4,720	6,189	6,944					
Provisions	387	424	530	662					
Working capital	435	327	2,926	6,063					
<b>CAPITAL DEPLOYED</b>	<b>20,409</b>	<b>21,184</b>	<b>22,215</b>	<b>23,820</b>					



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