

One Stop Investment Avenue



GEPL
CAPITAL

Initiating Coverage

NARAYANA HRUDAYALAYA LTD

MISPRICED GROWTH OPPORTUNITY



Equity | India | Healthcare

May 31, 2023

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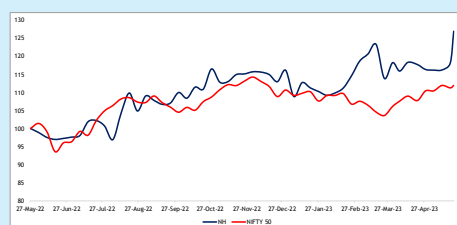
Market Info (as on May 30, 2023)	
BSE Sensex	62,969
Nifty 50	18,633

Stock Detail	
BSE Group	A
BSE Code	539551
NSE Code	NH
Bloomberg Code	NARH:IN
Market Cap (INR Cr.)	17,660
Free Float (%)	36.15%
52wk Hi/Lo	881 / 588
Avg. 20 Day Volume (NSE)	3,09,243
Face Value (INR)/ D. Yield (%)	10 / 0.12
Total Paid Up Eq. Shares (Mn.)	204.3

Promoters	Public	Others
63.85	35.52	0.63

Financial Snapshot (INR Cr)				
Particular	FY23	FY24E	FY25E	FY26E
Net Sales	4525	5113	5778	6529
EBITDA	966	1161	1317	1508
PAT	607	637	760	897
EPS	80.2	84.2	100.4	118.5
ROE (%)	34%	26%	25%	23%
ROCE (%)	30%	29%	28%	27%
P/E	28.5	27.2	22.8	19.3
EV/EBITDA	18.4	15.3	13.5	11.8

Relative Share Price Performance



Rel. Perf.	1Mth	3 Mths	6Mths	1Yr
NHL (%)	9.3	13.1	10.8	32.0
Nifty (%)	13.5	4.8	0.7	13.5

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Summary

We Initiate Coverage on Narayana Hrudayalaya Ltd ('NHL') with a 'BUY' rating and target Price of INR 1052 based on 24(x)FY26E EPS, implying 21% upside. NHL is one of the leading hospital chains across pan India with presence at Cayman Island through HCCI. Company operates at industry leading ROE/ ROCE of 33.5%/31.4% with lower gearing of 0.41(x).

At present Company has total 45 hospitals, 30+ specialties with 4 direction presence in India. We like its ability to turnaround newer hospitals and good track record of investment at HCCI. FY24 to remain remarkable with further capex towards Greenfield capex at Kolkata, expansion at Bangalore along with ancillary capex for Linac, CT, Orthopedic & Surgical Robots, Single Rooms. We remain optimistic about company's further margins improvement, rising revenue share of northern hospitals and elevated ARPOB at company level, however despite presence of growth levers, its valuations PE(x), PB(x) are subdued compare to its comparable listed peers (Exhibit- 18), thus offering mis-priced growth opportunity in Indian healthcare space.

Investment Rationale

Turnaround at New Hospitals to Drive further EBITDA Margin Improvement .

NHL drives revenue from its wide network spread across India, led by Bangalore cluster. It has two hospitals in north at Dharamshila and Gurugram where it made turnaround with EBITDA margins of 3% and 2% in Q4FY23 respectively. This hospitals have secured significance in company's portfolio as there revenue share has increased to 17% in FY23 from 8% in FY19. the ARPOB for those stood at Rs 13.9 MN in FY23 posting consistent growth from Rs 12.5 Mn ARPOB in FY19. At northern peripherals we expect higher revenue share coupled with healthy ARPOB to improve EBITDAM% at consolidated levels.

Healthy Capital Investments Set to Amplifies Growth Potential.

NHL's FY24 planned capex outlay is at Rs 1136 cr of which significant portion Rs 590 Cr is allocated to HCCI for setting up various units. The Rs 1391 cr will be maintenance capex and Rs 257 is brownfield capacity addition plan at its Bangalore facility. The remaining Rs 150 Cr estimated to set up greenfield capacity at Kolkata. We expect this capex to cement its existing positions in the market.

Post Successful Cayman Island, Eyes are on New Opportunities in Caribbean Islands.

NHL concluded its acquisition of Health City Cayman Islands (HCCI) in Jan-2018 with 100% stake. Company has operated HCCI operations well maintaining healthy profitability. The HCCI operated at 31% EBITDAM (FY23) vis-à-vis 30% in FY22 due to wealthy patients inflow and high ARPOB. The oncology block is on well track at HCCI. This acquisition has supported well at consolidated NHL as Cayman island is a zero tax location. The management is open to similar new investment opportunities at surrounding islands near Caribbean.

Better Margins outlook with Sufficient Capacity Makes it Potential Rerating Candidate.

With better margins outlook at its various territories, company is offering a complete services in the healthcare ecosystem. NHL has second highest no of operational beds (5,888) in listed universes along with fresh planned capacity expansion (Rs 10 Bn) at Bangalore and Kolkata facility to aid in maintaining its leading position. In comparison with peers, NHL trades at lower PE (x), PB (x) while performing with industry leading ROE/ ROCE of 33.5%/31.4% makes it potential rerating candidate in our view.

Company Profile

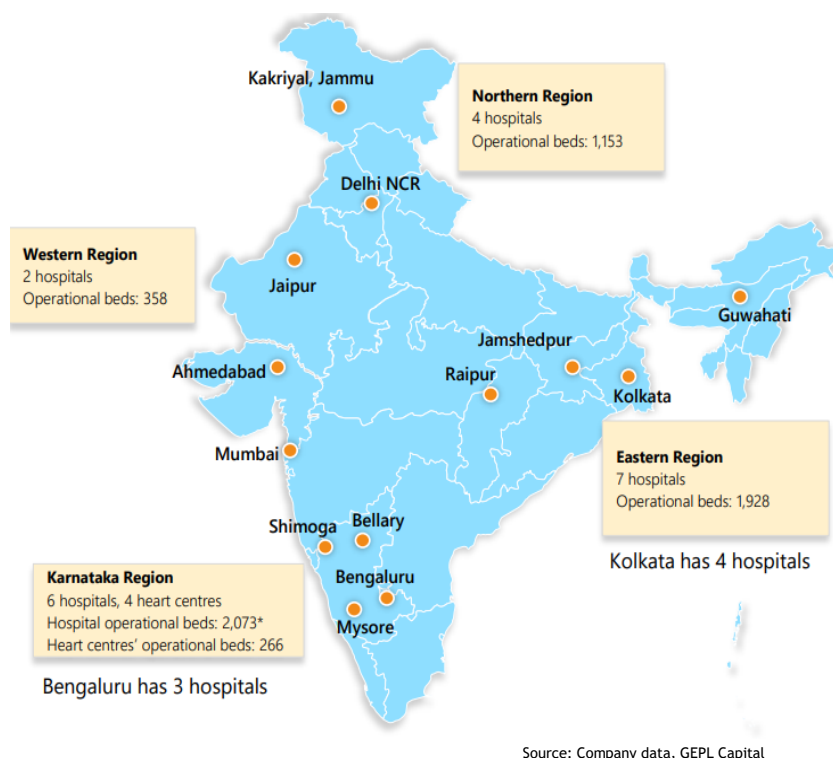
Narayana Hrudayalaya is one of the largest healthcare organization based in India. Narayana Hrudayalaya operates a network of 45 healthcare facilities which includes 18 owned/ operated hospitals, 1 managed hospitals, 4 heart centers, 1 hospital in Cayman island and 21 primary healthcare facilities. It was founded by Dr. Devi Shetty in year 2000 with aim for affordable healthcare accessibilities, Company is know for its cheap/ reasonable prices for treatment across facilities.

- Incorporation year: 2000
- Chairman: Dr. Devi Prasad Shetty
- Managing Director: Dr. Emmanuel Rupert
- Company Secretary: Mr. Shridhar S
- Head Office: Bangalore, Karnataka, India
- No. of Employees: 18,383
- Auditor: Deloitte Haskins and Sells LLP.

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Exhibit 01- NH at India



Source: Company data, GEPL Capital

Exhibit 02- Company Details

Healthcare Facilities	45	Operation Beds
Owned / Operated Hospitals	18	5334 Beds
Managed Hospitals	1	178 Beds
Heart Centres	4	266 Beds
Primary Healthcare Facilities	21	0 Beds
1 Hospital in Cayman Islands	1	110 Beds

Source: Company data, GEPL Capital

Exhibit 03- EBITDA margins at various hospitals

EBITDAM% (Regionwise)	FY19	FY20	FY21	FY22
Bangalore	29%	31%	10.4%	23.4%
Southern Peripheral	15%	18%	19.0%	22.7%
Kolkata	21%	22%	6.0%	20.3%
Eastern Peripheral	4%	12%	5.3%	14.5%
Western	0%	3%	-0.2%	7.9%
Northern	-30%	-18%	-9.2%	0.7%

Source: Company data, GEPL Capital

KEY TRIGGERS FOR NHL

1. Indian Healthcare Industry Poised for Growth

CRISIL Research projects a robust compound annual growth rate (CAGR) of 13-15% for the Indian healthcare delivery industry during the fiscal years 2022 to 2026. Despite temporary setbacks experienced in FY 2021, this industry is expected to thrive due to several long-term structural factors, strong fundamentals, growing affordability, and the potential of the Ayushman Bharat scheme. Launched in 2018, the Ayushman Bharat scheme aims to provide healthcare access to low-income earners in India. These factors collectively contribute to a positive outlook for the healthcare delivery industry in India.

2. Changing Demographic and Improving Life Expectancy

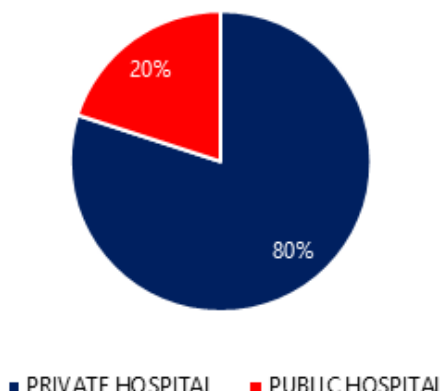
India's demographic profile is evolving with increasing life expectancy. In 2011, around 8% of the population was aged 60 years or older, and this is projected to rise to 12.5% by 2026. However, there is a lack of documented knowledge about the healthcare requirements of the elderly. Despite this challenge, it is widely acknowledged that the older population is more vulnerable to health issues.

3. Increasing Income levels to boost ARPOB

Increasing per Capita income to make quality healthcare facilities more affordable where margins have remained higher compared to traditional services. This to aid increase in business mix for hospitals and thereby improvement in ARPOB and business.

HEALTHCARE SECTOR ANALYSIS

Exhibit 04- Govt & Pvt Share



Source: Company data, GEPL Capital

PRIVATE PLAYERS DOMINATE HEALTHCARE INDUSTRY...

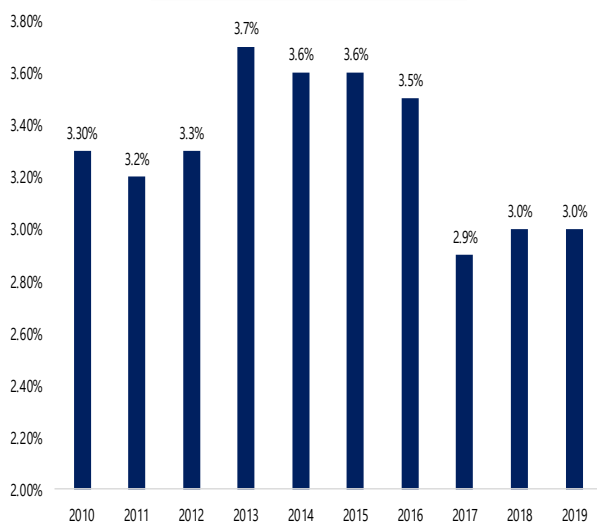
India's 80% healthcare is served by private players, implies dominance of the same. While Govt contributes 20% share. The Govt entities provide basic healthcare facilities in the form of primary healthcare centers (PHCs) in rural areas. The private sector provides a majority of secondary, tertiary, and quaternary care institutions with a major concentration in metros, tier-I and tier-II cities.

LOW COST SURGERY INDIA'S COMPETITIVE ADVANTAGE...

At global front, India has competitive advantage which lies large pool of well-trained medical professionals along with cost-competitive compared to its peers in Asia and western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe. The low cost of medical services has resulted in a rise in the country's medical tourism, attracting patients from across the world.

Exhibit 05- India Healthcare Expenditure as % of GDP

Healthcare Expenditure as a % of GDP



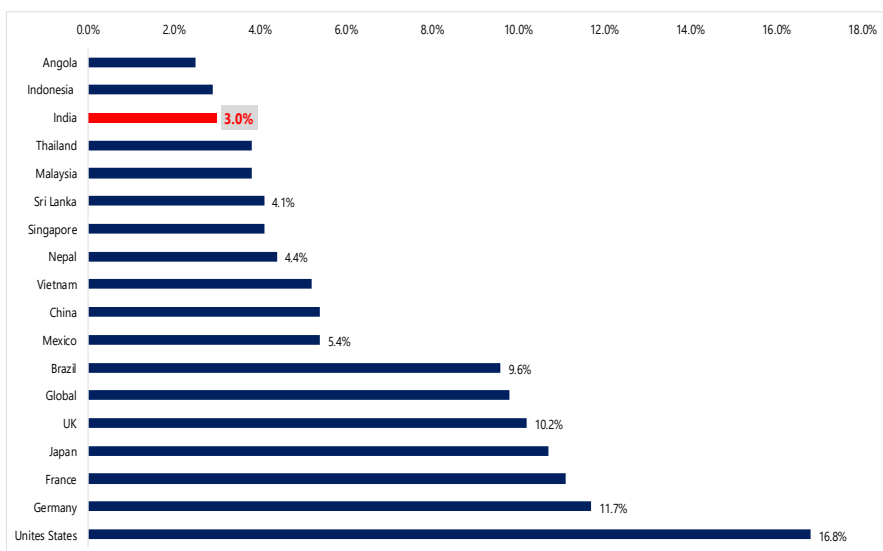
Source: CRISIL (Medanta RHP), GEPL

ONE OF THE LOWEST SPEND ON HEALTHCARE DESPITE OF TOP 5 RANK IN GDP.

Despite being ranked in the top five countries in GDP terms, India has one of the lowest healthcare expenditures, accounting for only 3.0% of its GDP in 2019. This puts India behind both developed nations like the United States and the United Kingdom, as well as developing countries including Brazil, Nepal, Vietnam, Singapore, Sri Lanka, Malaysia, and Thailand in terms of healthcare spending as a percentage of GDP in 2019.

This implies need of intensive investment in healthcare sector from Government as well as private sector. The expansion in healthcare during FY23-FY26E depicts increased opportunities for existing established player to serve. Narayana Hrudayalaya has presence across important peripherals of the nation and this augurs well for upcoming opportunities.

Exhibit 06- India Lags Peers in Healthcare Expenditure



Source: CRISIL (Medanta RHP), GEPL Capital

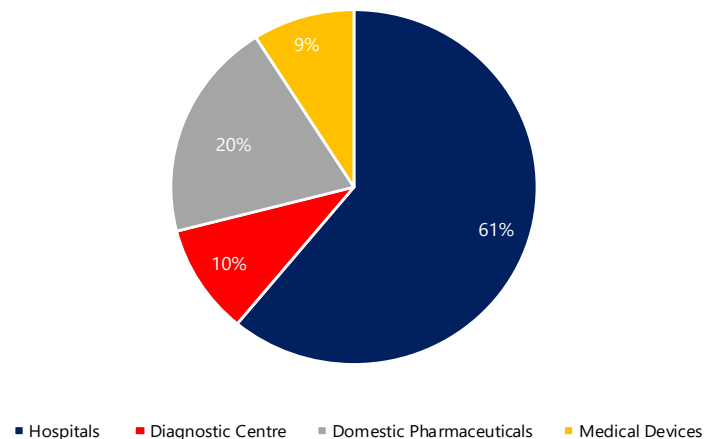
Exhibit 07- USD per Capita Expenditure on Health

India	64
China	535
Brazil	853
Korea	2,625
Singapore	2,633
United Kingdom	4,313
Japan	4,361
France	4,492
Australia	5,428
Germany	5,440
Canada	5,048
United States	10,921

Source: CRISIL (Medanta RHP), GEPL

STRUCTURE OF HEALTHCARE INDUSTRY (INDIA)

Exhibit 08- India Healthcare delivery market



Source: CRISIL (Medanta RHP), GEPL Capital

HEALTHCARE INDUSTRY BREAKUP

The Healthcare Industry Market consisting of hospitals and diagnostics centres to account for a major share off healthcare pie (71%), followed by domestic pharmaceuticals (20%) and medical devices markets (9%) (FY20).

MEDICAL TOURISM MARKET SIZE

India's medical tourism sector exhibited significant growth in recent years, with a valuation of US\$2.89 billion in 2020. Projections suggest that this industry will reach a remarkable value of US\$13.42 billion by 2026. The India Tourism Statistics at a Glance 2020 report revealed that approximately 697,300 foreign tourists sought medical treatment in India during the fiscal year 2019. Furthermore, India secured the 10th position out of 46 destinations in the Medical Tourism Index (MTI) for 2020-21, as assessed by the Medical Tourism Association (ibef.org)

Exhibit 09- Classification of Hospitals by Services offered

	Primary care	Secondary care	Tertiary care
Services	Provides all services as required for the first point of contact	Provides all services as required, including organised medical research	Provides all services as required, including provision for experimental therapeutic modalities and organised research in chosen specialities
Multi-disciplinary	Yes	Yes	Single- or multi-speciality
Type of service	Only medical services and excludes surgical services	Overall medical and surgical services	Complex surgical services with sophisticated equipment
Type of patient	Only outpatient	Inpatient and outpatient	Primarily inpatient
No of beds	0 beds	50-200 beds	>200 beds
Dependent on	Secondary and tertiary care hospitals for further diagnosis and support	Tertiary care hospital for diagnostic and therapeutic support on referral and for patient transfer	Tertiary care/secondary hospital for referrals for its workload
Investment	Low investment required	Medium	High

Source: CRISIL (Medanta RHP), GEPL Capital

CLASSIFICATION OF HOSPITALS

Govt. of India has dominant presence across Primary care facilities at Tier-II, Tier-III cities and Rural areas.

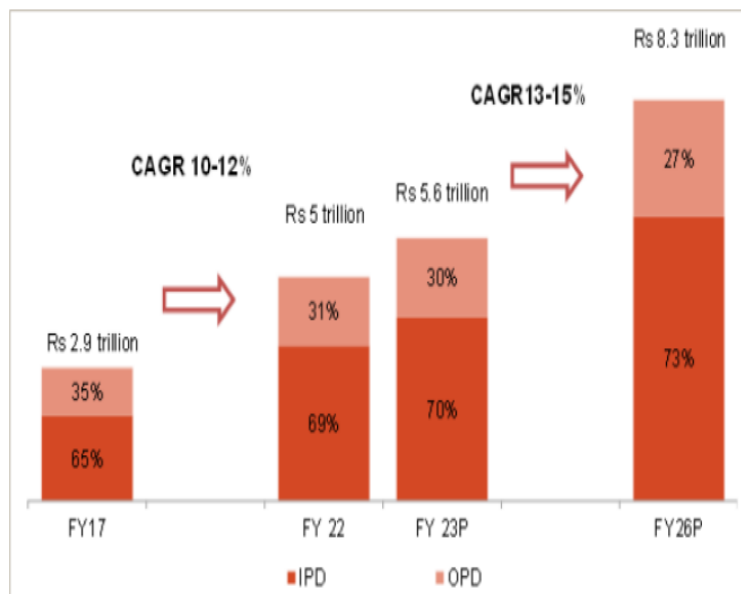
Primary Care Hospitals: Primary care facilities are outpatient units that offer basic, point-of-contact medical and preventive healthcare services, where patients come for routine health screenings and vaccinations. This units don't have ICU's.

Secondary Care Hospitals: Secondary care facilities diagnose and treat ailments that cannot be treated in primary care facilities. These act as the second point of contact in the healthcare system. There are two types of secondary care hospitals - general and specialty care. The general hospital are approached for common alignments and attracts patients within a radius of 30 KM. the specialty care hospitals are located at district centres having patient bed strength of 100-200 beds.

Tertiary Care Hospitals: Tertiary care hospitals provide advanced healthcare services, usually on referral from primary or secondary medical care providers. These approached for particular alignments such as Cancer, Cardiac.

HEALTHCARE DELIVERY MARKET (INDIA)

Exhibit 10- India Healthcare market size



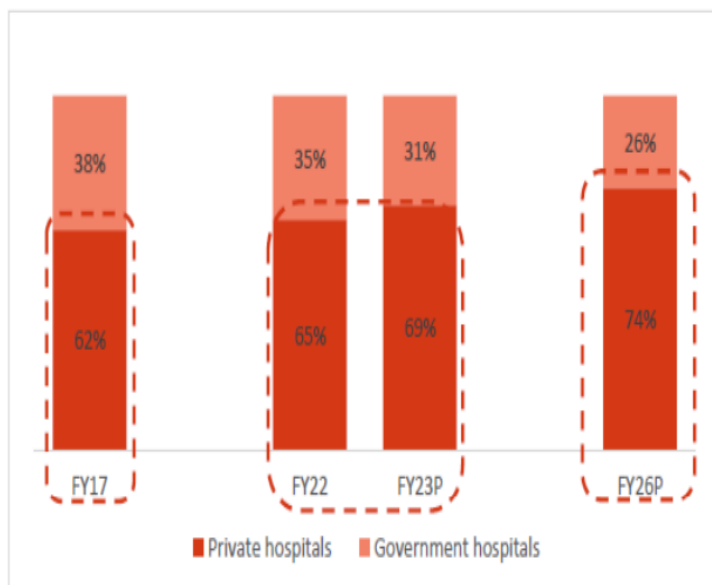
Source: CRISIL (Medanta RHP), GEPL Capital

Supported by the fundamental strengths and inherent structural advantages of the healthcare sector in India, the healthcare delivery market is projected to reach a significant market size of around Rs 6.4 - 6.6 trillion by fiscal year 2024. This anticipated growth highlights the robustness of the sector and its potential to meet the evolving healthcare needs of the population.

HEALTHCARE INDUSTRY TO CLOCK ROBUST GROWTH

Benefiting from favorable long-term structural factors, as well as renewed emphasis from the PMJAY (Pradhan Mantri Jan Arogya Yojana) and increased government focus on the healthcare sector, the healthcare delivery market in India is anticipated to exhibit a robust compound annual growth rate (CAGR) of 13-15%. This growth trajectory is expected to propel the market to an impressive value of Rs 8.3 trillion by fiscal year 2026, indicating the substantial opportunities and potential within the healthcare sector in the country.

Exhibit 11- Share of Pvt to Increase



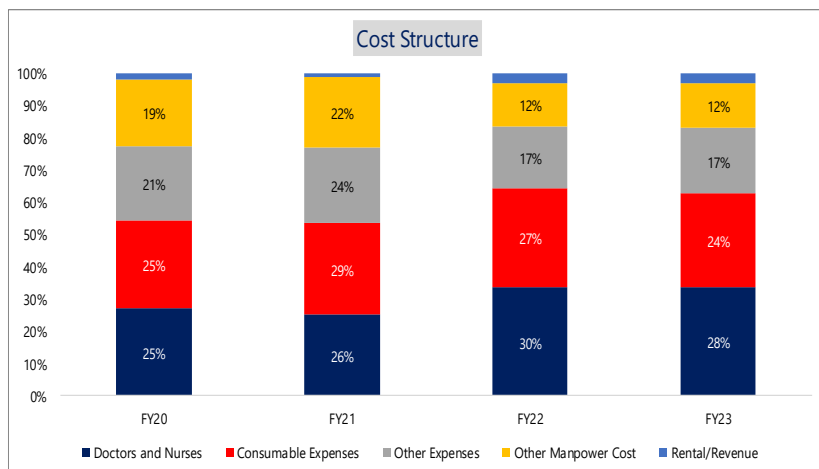
Source: CRISIL (Medanta RHP), GEPL Capital

SHARE OF PRIVATE HOSPITALS TO INCREASE

The provision of healthcare services in India exhibits a significant inclination towards the private sector, both for inpatient (IPD) and outpatient (OPD) care. This inclination is primarily attributed to the limited healthcare expenditure by the government and the substantial burden on the existing state health infrastructure. The share of treatments, measured in terms of value, provided by private players is projected to rise from 62% in fiscal year 2017 to nearly 74% by fiscal year 2026, with a slight decrease observed only in fiscal year 2021. This trend highlights the increasing reliance on private healthcare providers and emphasizes the need for increased investment and support in the public healthcare sector to ensure equitable access to high-quality healthcare services for the population. In a radius of 30 KM, the specialty care hospitals are located at district centres having patient bed strength of 100-200 beds.

COMPANY ANALYSIS

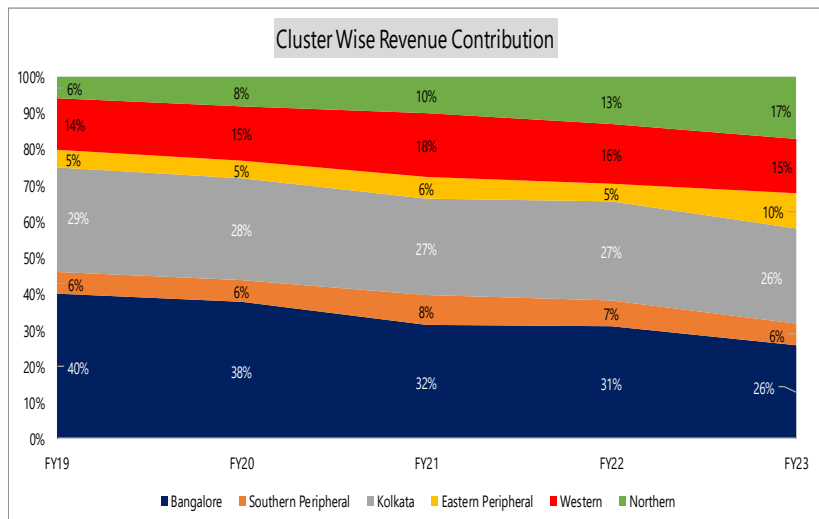
Exhibit 12- Other Manpower cost reduced



Source: GEPL Capital, Company data

NHL cost structure is comprised with cost of Doctors & Nurses (28%), Consumables (24%), other expenses (17%) and other manpower (12%). The increased cost of Doctors & Nurses is offset by reduction in other expenses and other manpower cost aided company to boost operating margins towards 21%.

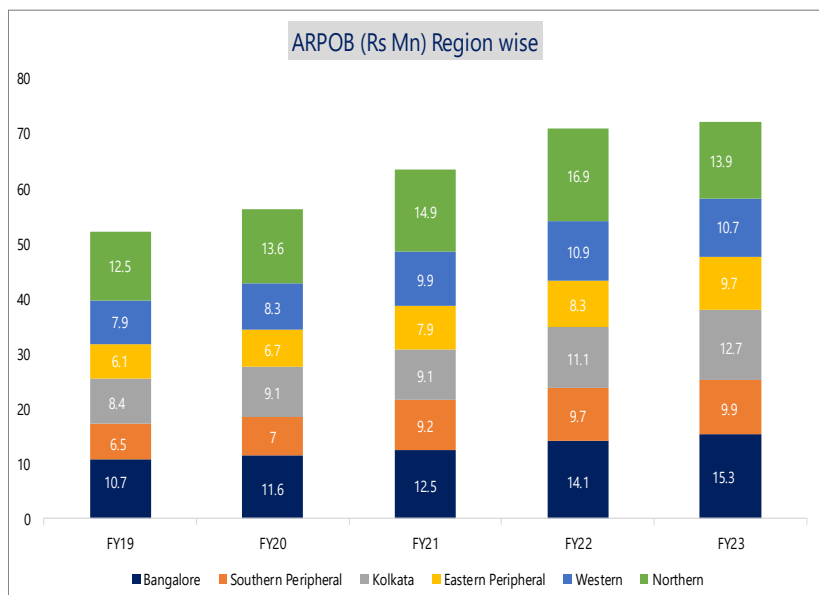
Exhibit 13- Northern cluster revenue share increases



Source: GEPL Capital, Company data

The 6 cluster: Bangalore, and East, west north, south generates company revenue. The dependency on Bangalore over the years has come down to 26% in FY23 from 40% in FY19. largely on account of increased revenue share of northern peripheral and eastern peripheral.

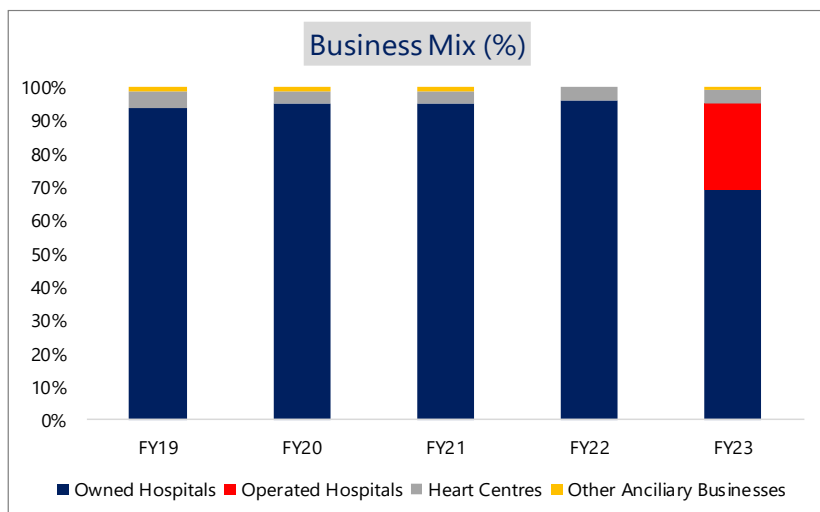
Exhibit 14- Consistent Increase in ARPOB



Source: GEPL Capital, Company data

The higher revenue from northern area is on account of consistent rise in ARPOB. The ARPOB of region is at Rs 13.9 Mn. Company has highest ARPOB in Bangalore (Rs 15.3 Mn). In last four years, company has successfully elevated ARPOB in double digits in most of other regions from lower single digits. This implies its ability to serve complex surgeries across clusters.

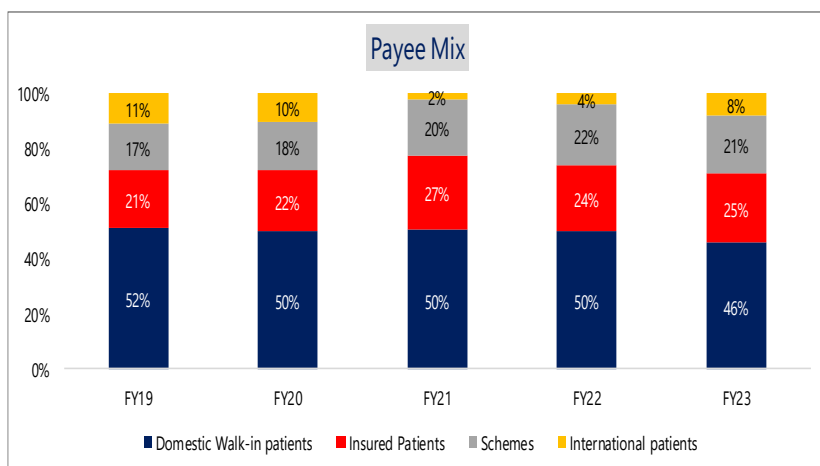
Exhibit 15- Company business Mix



Source: GEPL Capital, Company data

Most of the revenue is generated from its owned hospital while operated hospital, heart centres and other ancillary business contributes 35% to the top line.

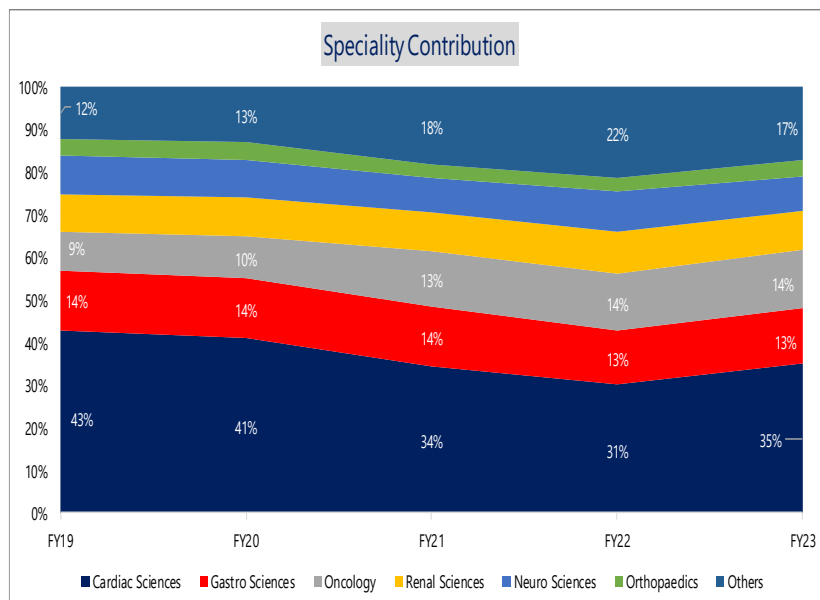
Exhibit 16- Payee Mix



Source: GEPL Capital, Company data

NHL is known for its optimal cost treatments and the same reflected in its payee profile where insured and schemes patient's contribution increased to 46% (FY23) from 38% (FY19). The domestic walk-in patient contribution reduced to 46% and international patients travel has resume post covid hence the share increased to 8% (FY23) from 2% (FY21)

Exhibit 17- Oncology revenue share increasing

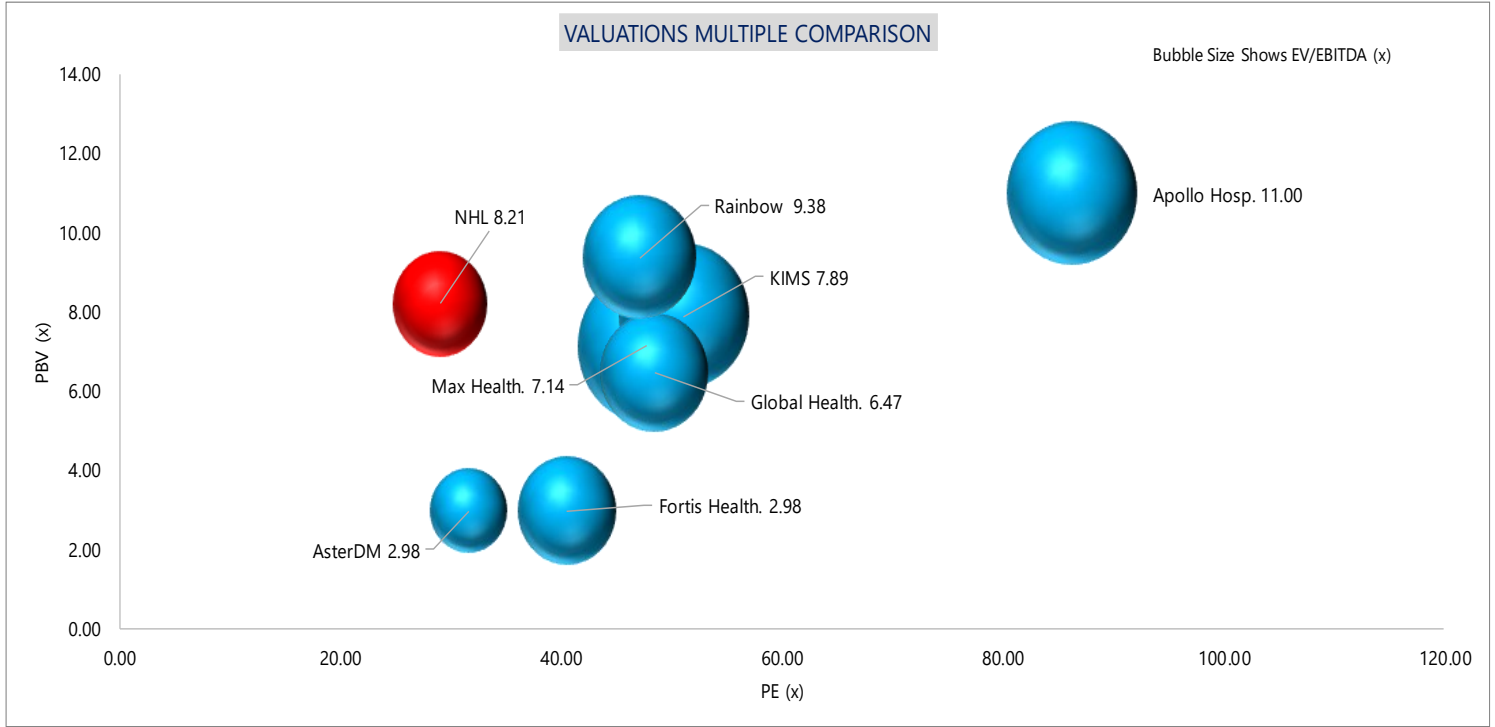


Source: Company data, GEPL Capital

Company has received well response for its oncology services as its revenue share increased to 14% from 9% in 4 years. Other treatments and surgeries share saw improvement over the years. Cardiac sciences, Gastro sciences has been generating steady revenue streams as contribution of the both remained steady at 48% in the top line.

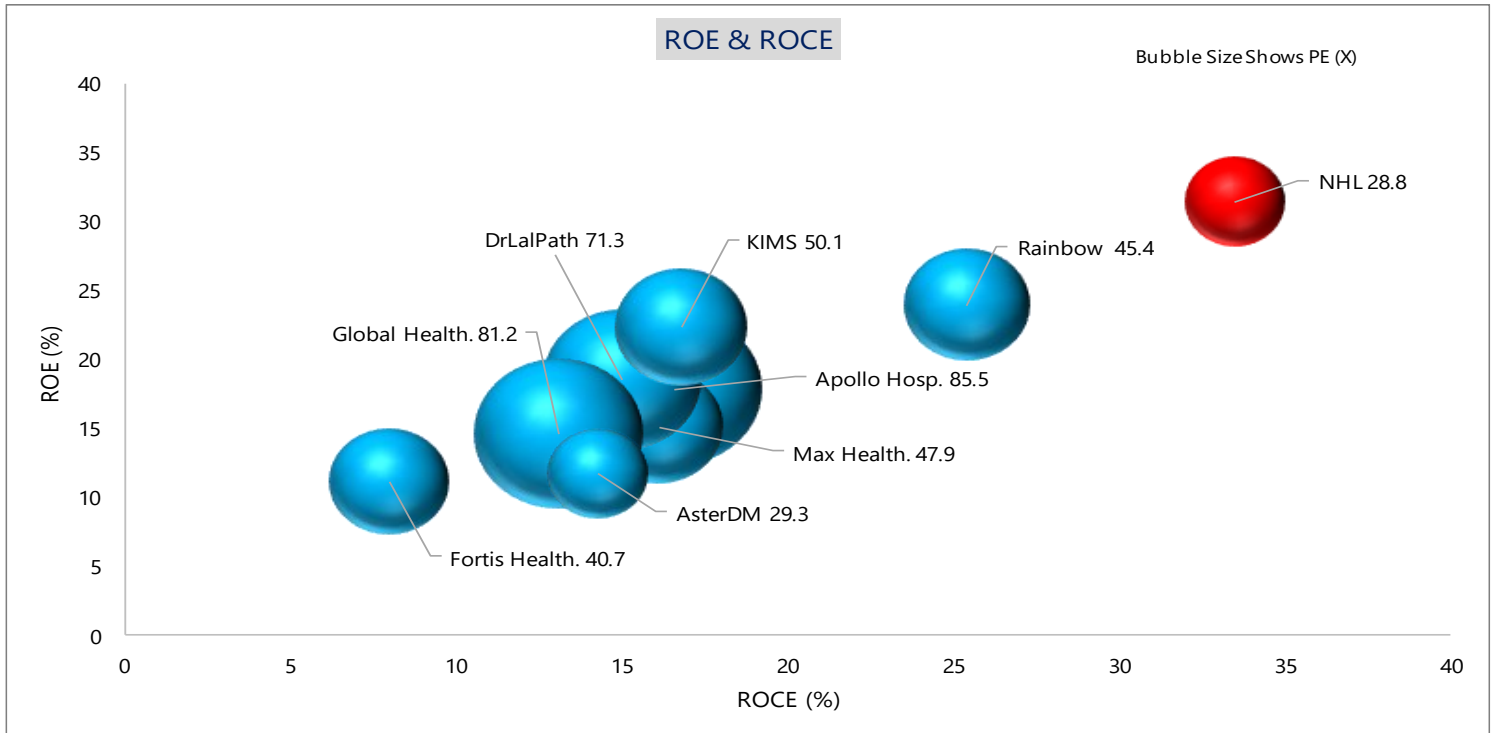
PEER COMPARISON

Exhibit 18- NH trades at lower PE than most peers...



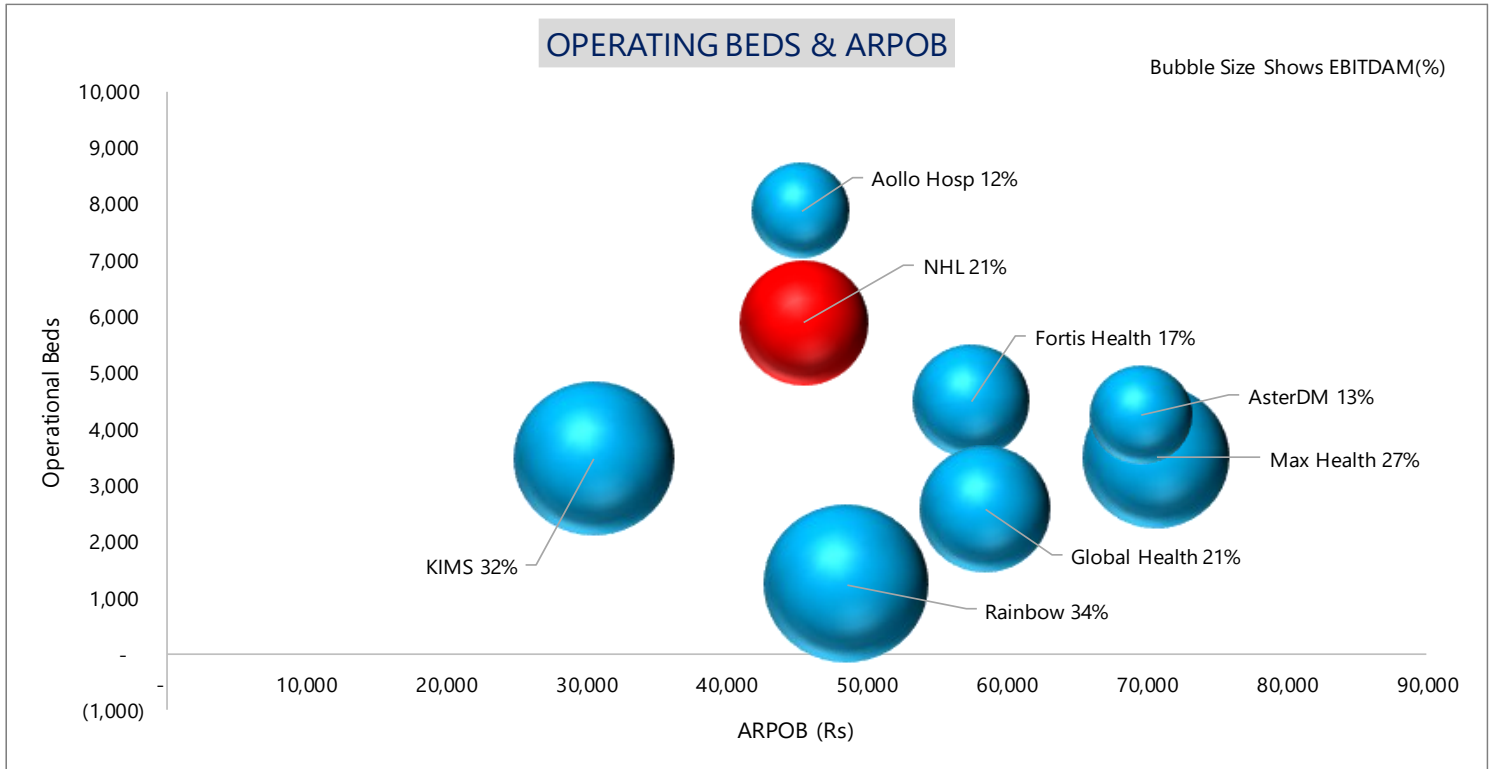
Source: GEPL Capital, Company data

Exhibit 19- Company has industry leading ROE & ROCE (x).



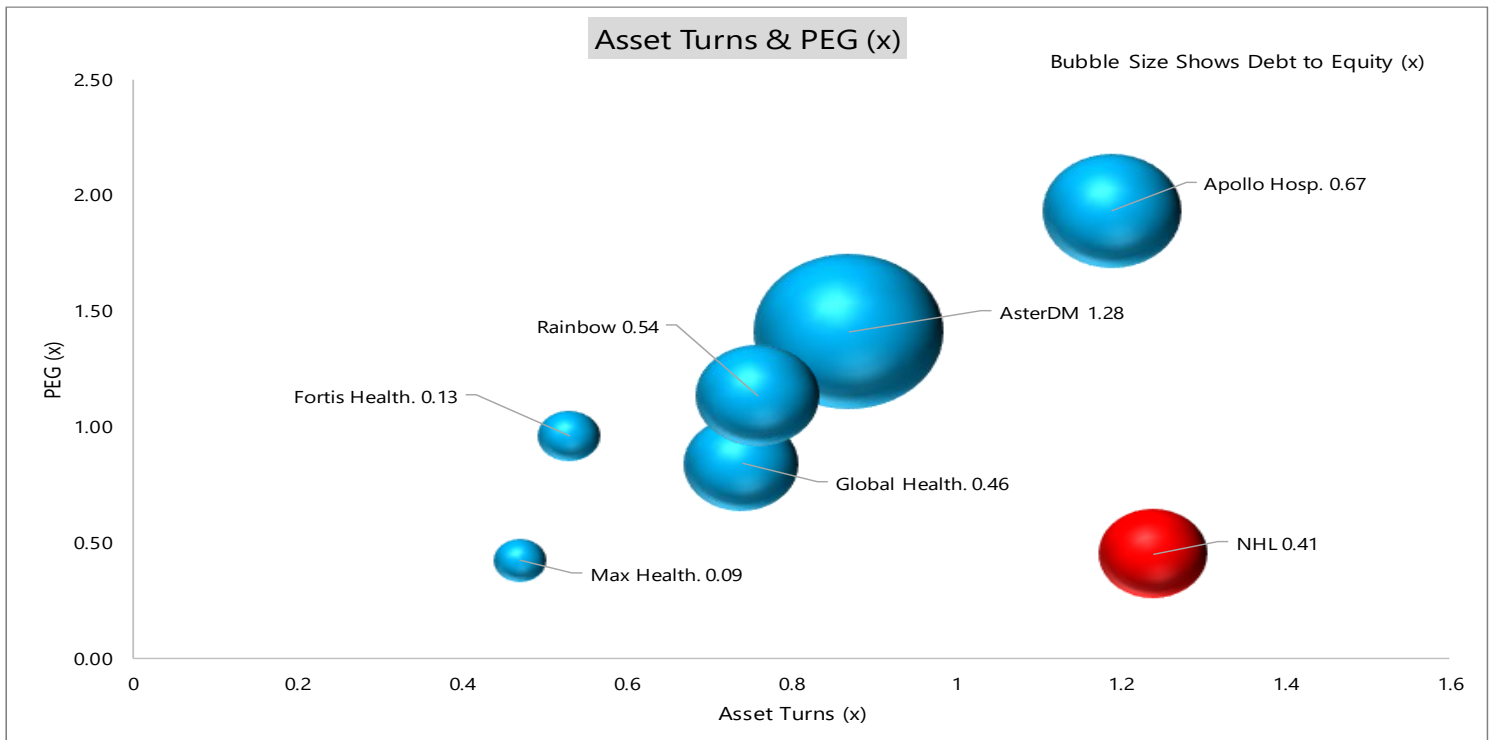
Source: GEPL Capital, Company data

Exhibit 20- 2nd highest operational beds with healthy EBITDAM (x)



Source: GEPL Capital, Company data

Exhibit 21- Industry leading assets turns with low premium to earnings growth



Source: GEPL Capital, Company data

FINANCIAL ANALYSIS

CAPITAL UTILIZATION

Company operates at healthy Asset turnover of 1.4-1.6(x). Company has successfully improved its EBIT margins from 6% in FY13 to 18% in FY23. this has helped ROCE to improve towards 30% in FY23. the improvement to continue ahead on the back of increased profitability of hospitals.

Exhibit 22- Capital Utilization

CAPITAL UTILIZATION														
Particulars	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Sales	839	1,095	1,364	1,614	1,878	2,281	2,861	3,128	2,583	3,701	4,525	5,113	5,778	6,529
Capital Employed	766	844	1,027	1,242	1,324	2,017	2,123	2,287	2,065	2,349	3,174	3,877	4,651	5,559
Capital Turnover	1.1	1.4	1.5	1.4	1.5	1.4	1.4	1.4	1.2	1.7	1.6	1.5	1.4	1.3
EBIT Margin	6%	8%	5%	7%	9%	6%	6%	9%	1%	14%	18%	20%	20%	21%
ROCE	7%	11%	7%	10%	13%	8%	9%	12%	2%	23%	30%	29%	28%	27%
ROIC	3%	4%	-2%	2%	6%	3%	3%	5%	-1%	15%	22%	18%	18%	18%
Asset Turnover	0.9	1.0	1.1	1.1	1.2	1.1	1.11	1.13	0.91	1.25	1.24	1.13	1.09	1.05

Source: Company data, GEPL Capital

HEALTHY CASH GENERATION

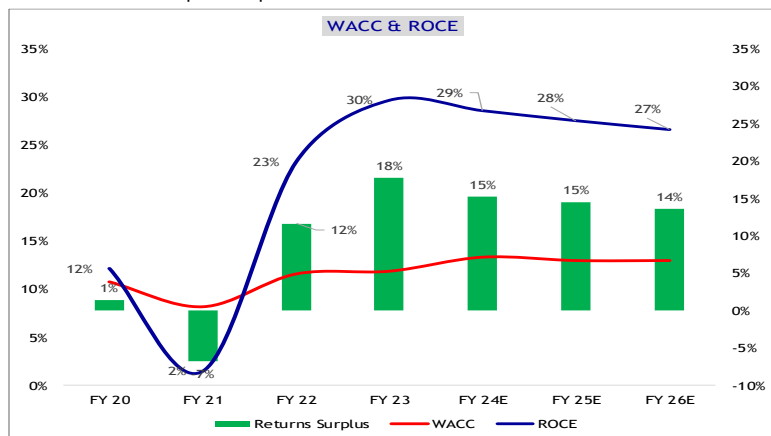
The accounting earnings of NHL remained depressed during FY16-FY20 due to higher COGS, however company generated healthy operating cash flows during same period. In last decade NHL generated Rs 3361cr cash vis-a-vis Rs 1308 cr of profits. Its free cash flow generation stood at Rs 772 cr in last one decade.

Exhibit 23- Profits over the years

PROFITS OVER THE YEARS													
Particulars	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	Total	
Capital Employed	766	844	1,027	1,242	1,324	2,017	2,123	2,287	2,065	2,349	3,174	19,217	
Sales	839	1,095	1,364	1,614	1,878	2,281	2,861	3,128	2,583	3,701	4,525	25,869	
EBIT	52	88	65	117	172	139	177	269	33	514	821	2,448	
Net Profit	25	32	-17	21	83	51	59	119	-14	342	607	1,308	
Operating Cash	45	110	77	174	219	182	279	443	304	485	1,043	3,361	
Free Cash Flow	-85	-61	-21	84	84	-21	129	327	234	234	-131	772	
Capex	-130	-171	-98	-90	-135	-204	-150	-116	-70	-251	-1,174	-2,589	
Cash Conversion	180%	347%	-458%	820%	264%	355%	471%	373%	-2127%	142%	172%	5	

Source: Company data, GEPL Capital

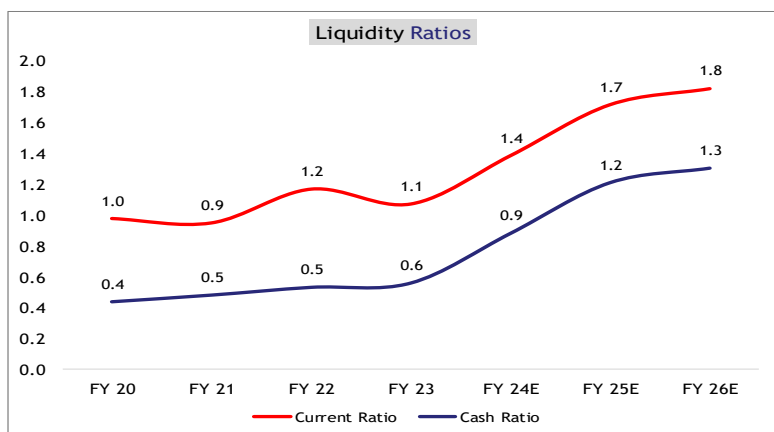
Exhibit 24- Economic profit expected to remain stable at 14%.



Source: GEPL Capital, Company data

..... Its WACC is expected to be elevated slightly however is to be offset by ROCE and NHL to be returns surplus by 14%-15%.

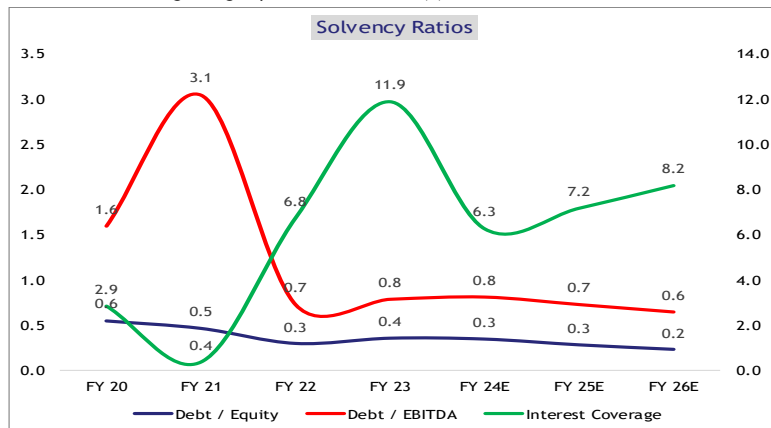
Exhibit 25- Liquidity to further improve.



Source: GEPL Capital, Company data

..... Liquidity measure to improve towards 1.8(x) along with Cash ratio of 1.3(x).

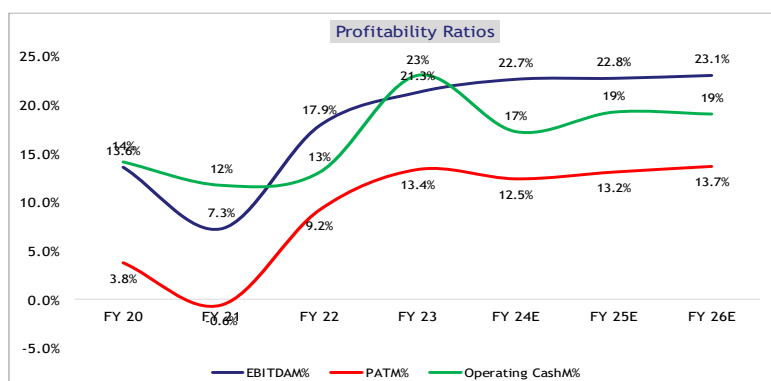
Exhibit 26- Overall gearing expected to be at 0.6(x).



Source: GEPL Capital, Company data

..... Incremental Network to aid in Debt/equity ratio and healthy interest coverage ratio at 8.2 by FY26E.

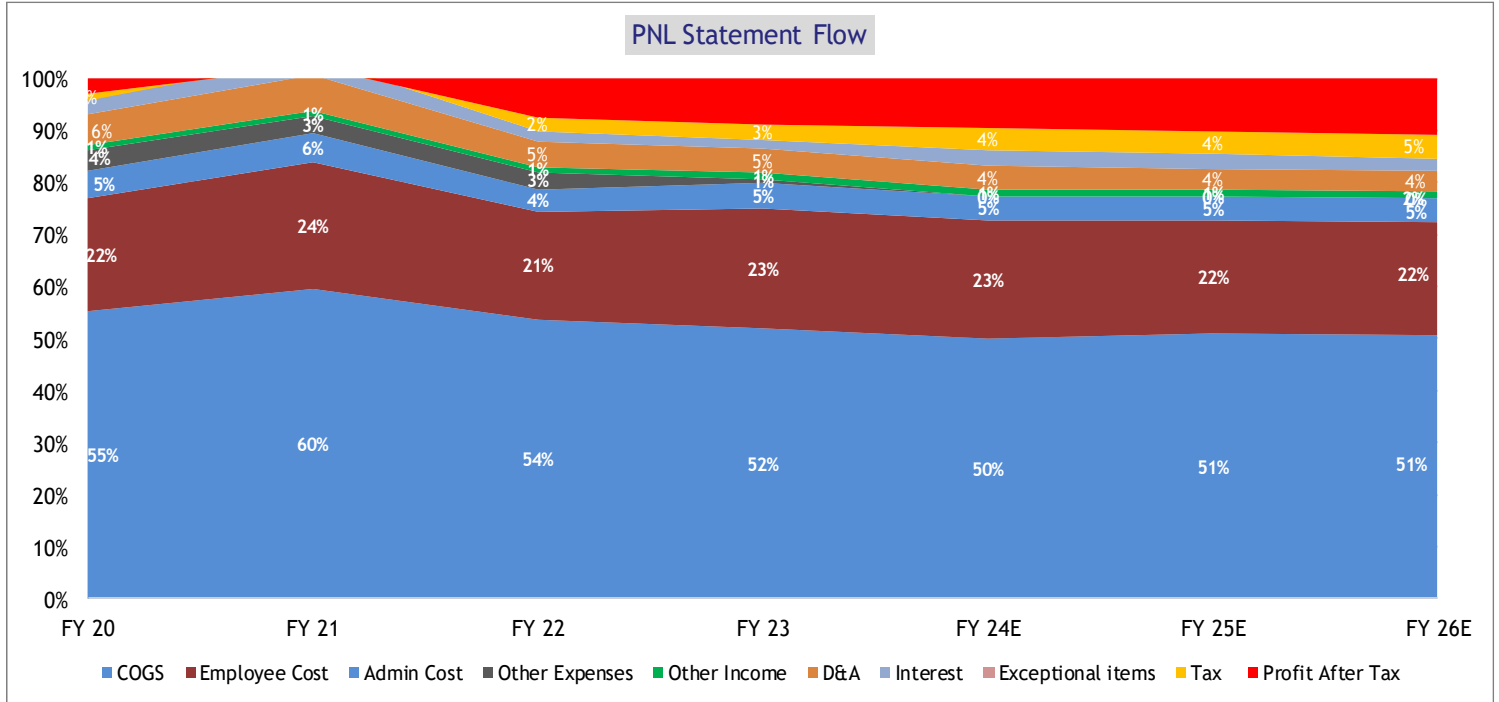
Exhibit 27- EBITDA margins to increase towards 23.1% .



Source: GEPL Capital, Company data

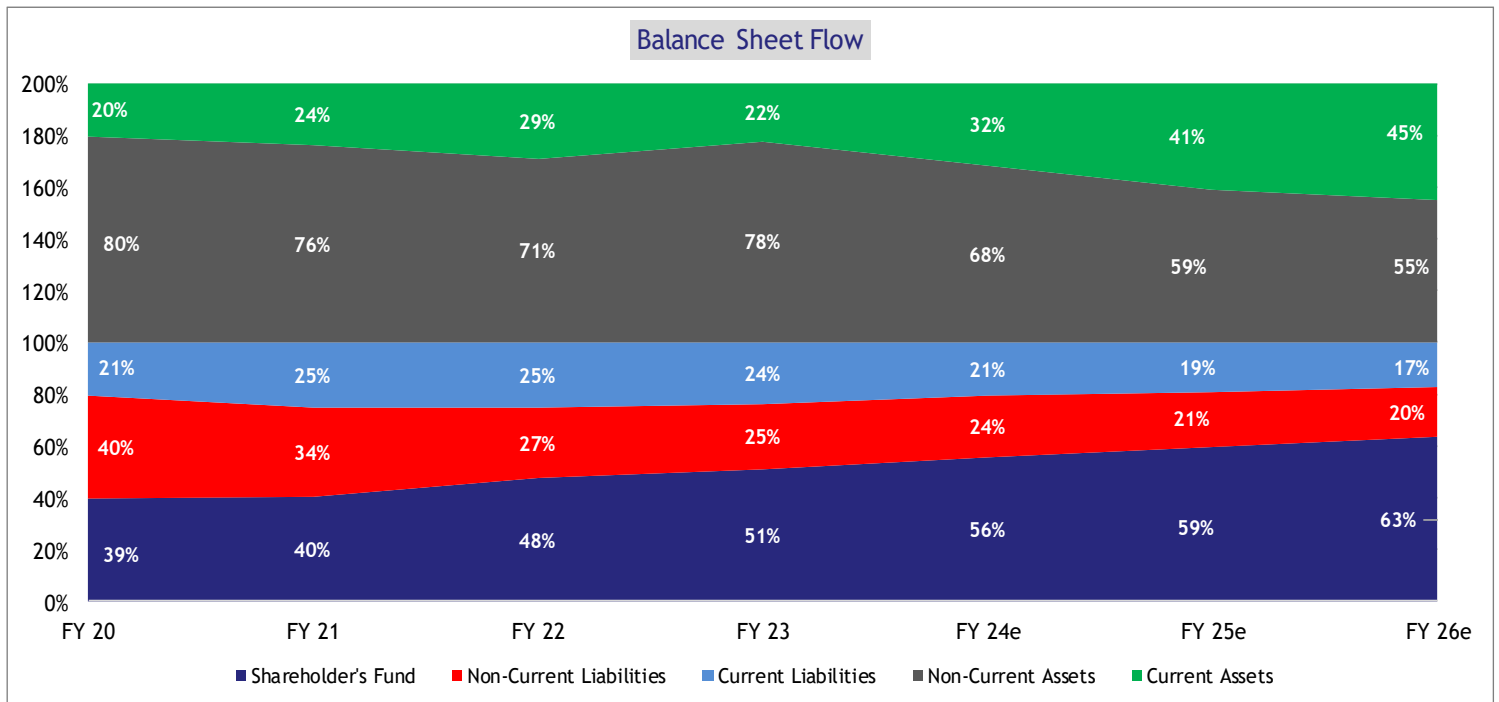
..... Rising ARPOB and improving profitability of northern cluster hospitals to improve operating margins to 23.1%. Healthy working capital cycle to ensure robust cash generation.

Exhibit 28- Company exerted greater control on COGS, thereby higher profit realization.



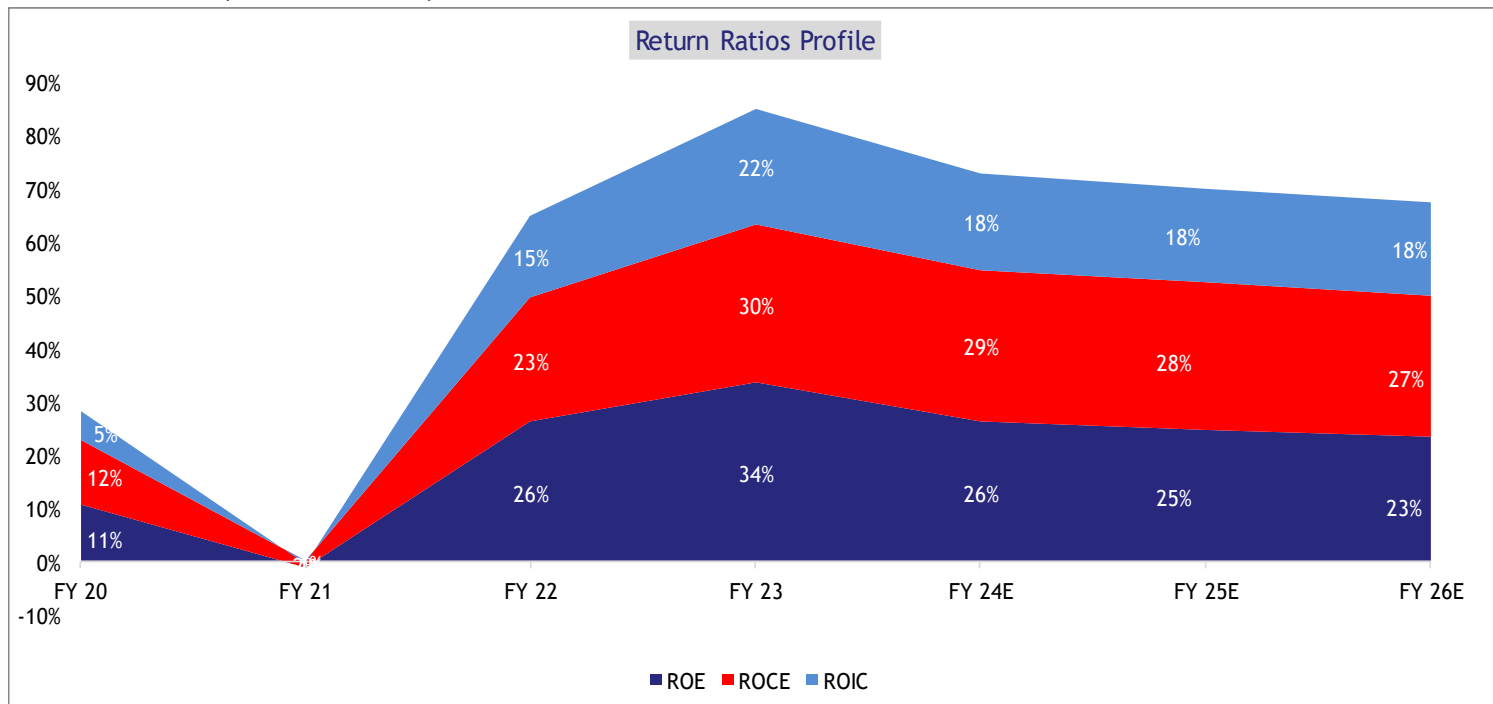
Source: GEPL Capital, Company data

Exhibit 29- balance sheet to be largely funded with equity by FY26E.



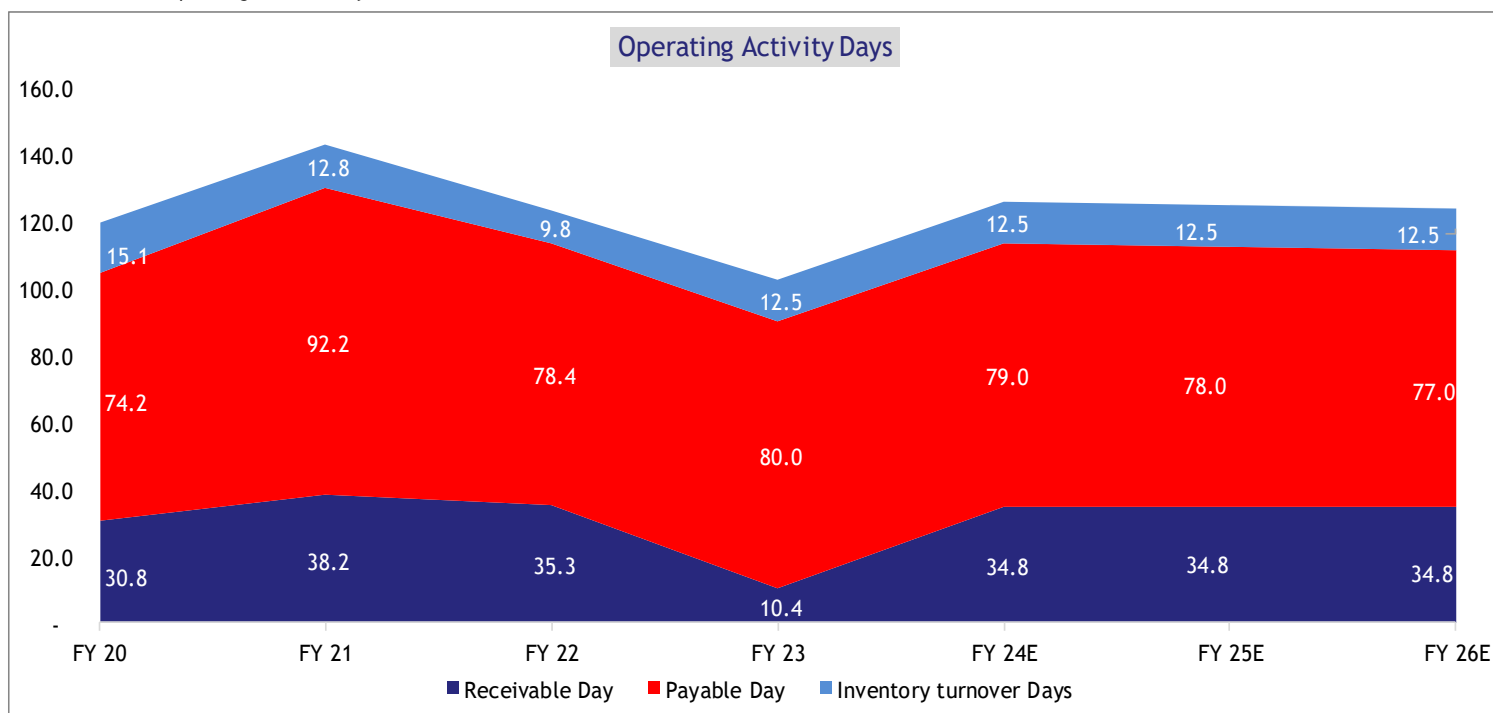
Source: GEPL Capital, Company data

Exhibit 30- Return ratios profile to remain healthy



Source: GEPL Capital, Company data

Exhibit 31- Stable operating activities days.



Source: GEPL Capital, Company data

DUPONT ANALYSIS

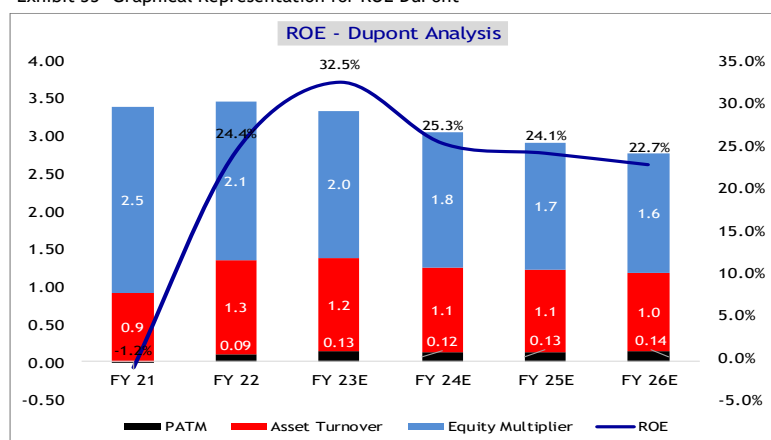
Exhibit 32- Dupont Analysis for ROE & ROCE

Dupont Analysis						
	FY 21	FY 22	FY 23E	FY 24E	FY 25E	FY 26E
ROE	-1.2%	24.4%	32.5%	25.3%	24.1%	22.7%
PATM	-0.01	0.09	0.13	0.12	0.13	0.14
Asset Turnover	0.9	1.3	1.2	1.1	1.1	1.0
Equity Multiplier	2.5	2.1	2.0	1.8	1.7	1.6
ROCE	2%	23%	30%	29%	28%	27%
EBITM	1%	14%	18%	20%	20%	21%
Capital Turnover	1.2	1.7	1.6	1.5	1.4	1.3

Source: GEPL Capital, Company data

..... Effect Increasing profit margins offset by lowered equity multiplier.

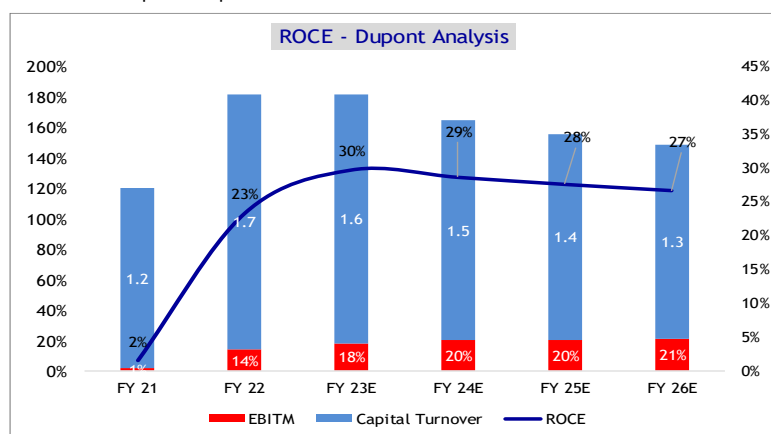
Exhibit 33- Graphical Representation for ROE DuPont



Source: GEPL Capital, Company data

.....ROE to come towards 22.7% during FY24E-FY26E.

Exhibit 34- Graphical Representation for ROCE DuPont



Source: GEPL Capital, Company data

..... Capital turnover to remain stable at 1.3-1.5(x) along with improvement in EBIT margins towards 21%. The estimated ROCE for FY26E is at 27%.

HISTORICAL VALUATION CHARTS

Exhibit 35- Trades below median of historical TTM PE(x)

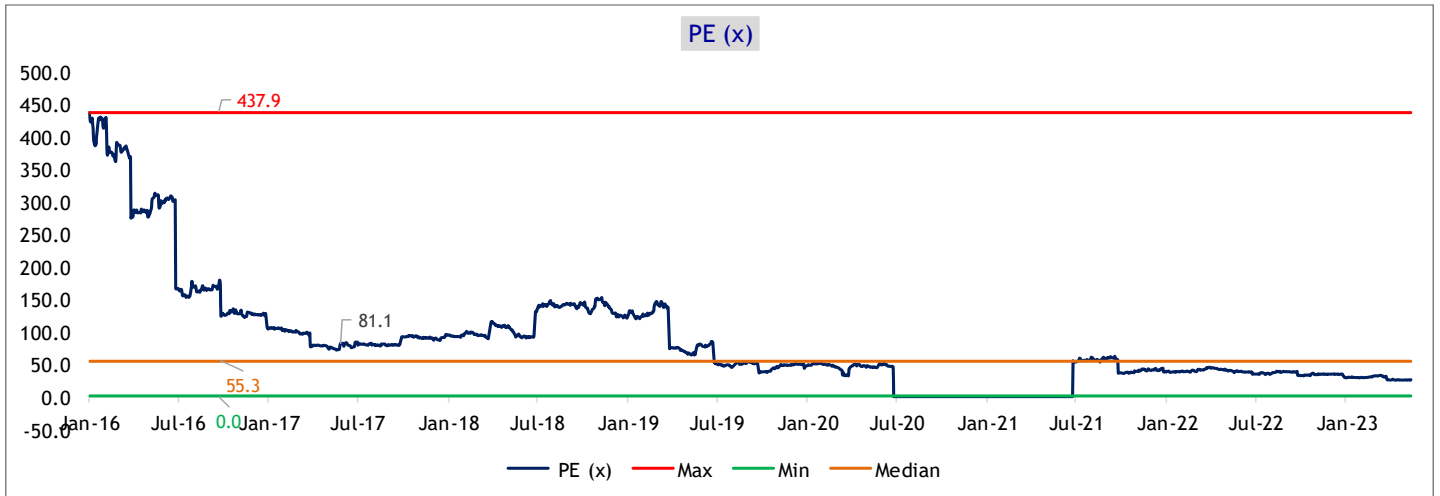


Exhibit 36- Trades below Historical EV/EBITDA (x)

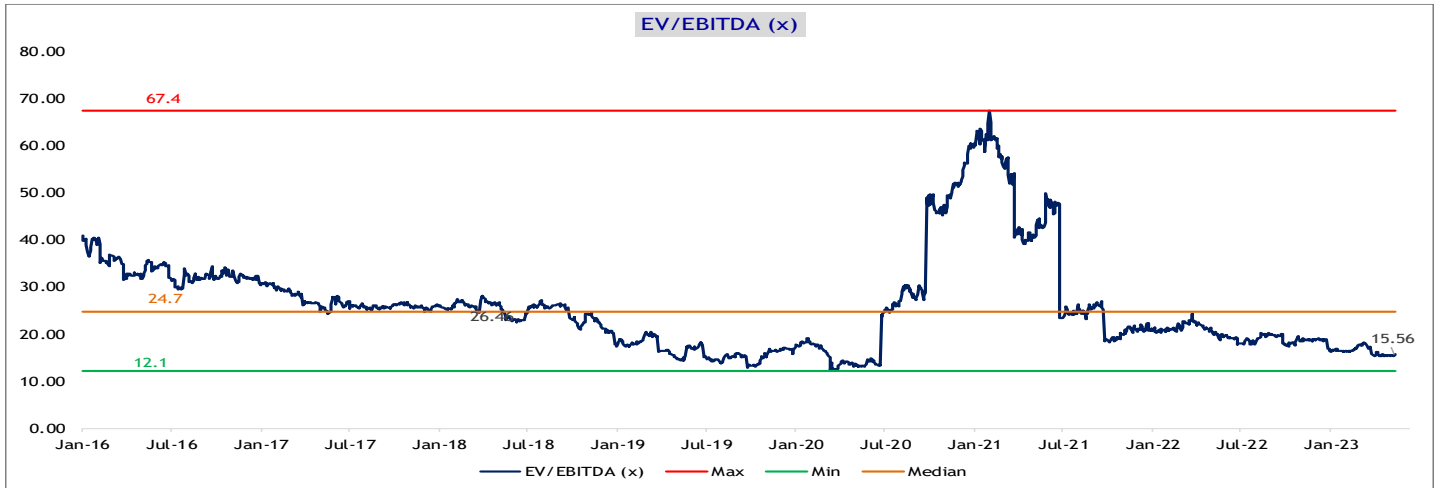
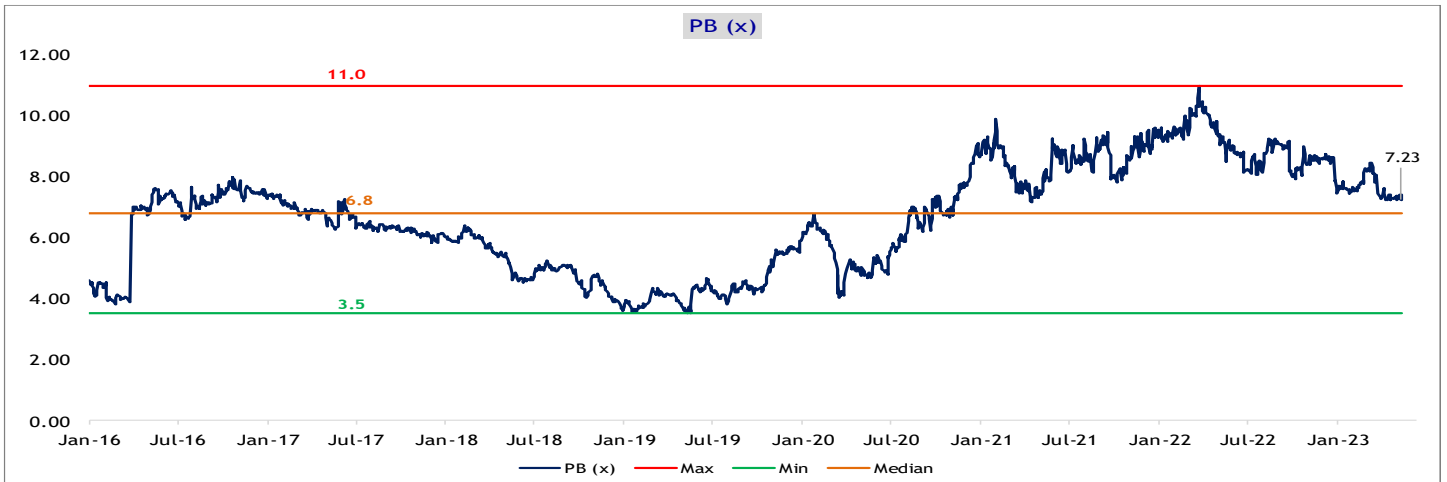
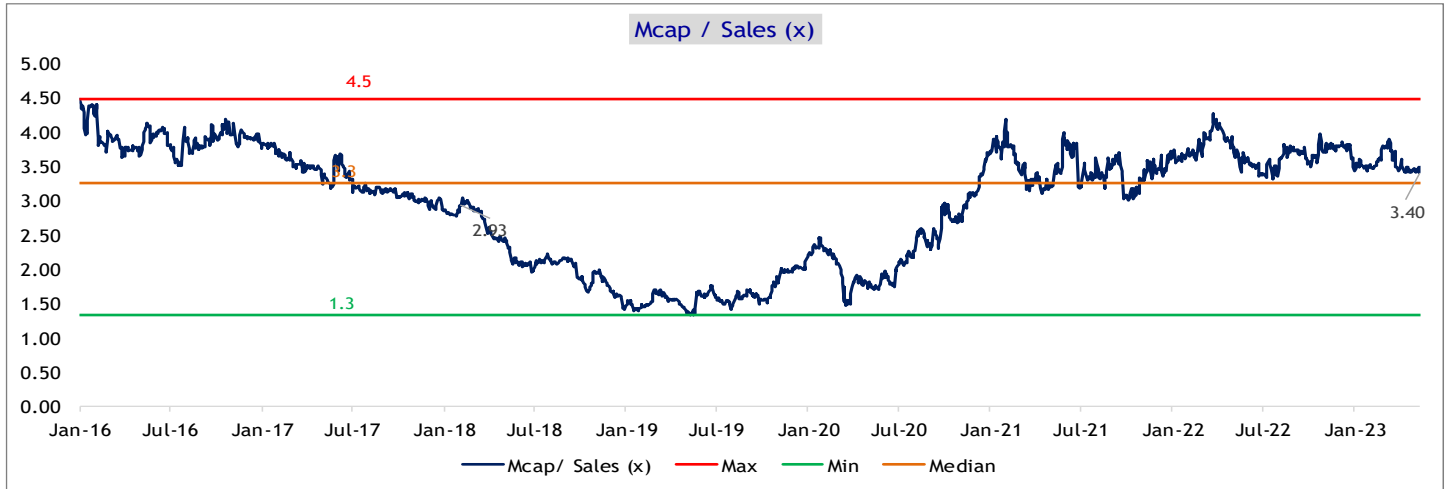


Exhibit 37- Slight premium to Historical Median PB(x)



FINANCIAL ANALYSIS

Exhibit 38- Slight Premium to Historical Median Mcap to Sales ratio



Source: Ace Equity, Company data

FINANCIAL STATEMENTS

Exhibit 39- Consolidated Balance Sheet Statement

In ₹ Cr.	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Shareholder's Fund	1,120	1,489	2,131	2,717	3,417	4,242
Equity Share Capital	204	204	204	204	204	204
Reserves and Surplus	916	1,284	1,927	2,513	3,212	4,037
Non-Current Liabilities	945	860	1,043	1,159	1,234	1,317
Long Term Borrowings	504	432	626	689	703	717
Other Long Term Liabilities	441	428	416	470	532	601
Current Liabilities	703	783	988	1,000	1,116	1,154
Short Term Borrowings	21	11	136	256	260	261
Trade Payables	410	449	658	642	741	828
Other Current Liabilities	272	323	195	102	116	65
Total Equity & Liabilities	2,768	3,132	4,162	4,877	5,767	6,713
Non-Current Assets	2,103	2,219	3,233	3,332	3,408	3,716
Net Fixed Assets	1,963	1,984	2,632	2,820	2,830	3,063
Capital Work In Progress	18	63	-	-	-	-
Non-Current Investments	10	1	-	-	-	-
Other Non-Current Assets	112	171	602	511	578	653
Current Assets	665	913	929	1,545	2,358	2,997
Inventories	48	59	72	88	101	113
Trade Receivables	279	437	432	488	551	623
Cash And Cash Equivalents	132	172	155	615	1,222	1,625
Other Current Assets	207	244	271	355	485	636
Total Assets	2,768	3,132	4,162	4,877	5,766	6,713

Source: GEPL Capital estimates, Company data

Exhibit 40- Consolidated Profit and Loss Statement

In ₹ Cr.	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Net Operating Revenue	2,583	3,701	4,525	5,113	5,778	6,529
%growth	-17%	43%	22%	13%	13%	13%
COGS	1,540	1,989	2,269	2,557	2,947	3,297
Gross Profit	1,043	1,712	2,256	2,557	2,831	3,232
Operating Expense	854	1,049	1,290	1,396	220	220
EBITDA	189	663	966	1,161	1,317	1,508
EBITDAM%	7.3%	17.9%	19.5%	22.7%	22.8%	23.1%
Other Income	27	35	65	75	86	99
Depreciation & Amr.	184	183	210	226	226	245
EBIT	33	514	821	1,010	1,177	1,362
Interest	82	76	69	161	164	166
Exceptional items	-	-	-	-	-	-
Pre-Tax Profit	-49	438	752	849	1,013	1,196
Tax Rate%	84.9%	20.0%	25.0%	25.0%	25.0%	25.0%
Tax Provision	-42	88	145	212	253	299
Profit After Tax	-14	342	607	637	760	897
PATM%	-0.6%	9.2%	13.4%	12.5%	13.2%	13.7%
%growth	-112%	-2490%	78%	5%	19%	18%

Source: GEPL Capital estimates, Company data

Exhibit 41- Consolidated Cash Flow Statement

In ₹ Cr.	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Reported PBT	(49)	438	752	849	1,013	1,196
Non-operating & EO items	(15)	14	(45)	(51)	(58)	(65)
Interest expense	82	76	69	161	164	166
Depreciation	184	183	210	226	226	245
Working capital changes	56	(152)	202	(88)	22	3
Taxes Paid	54	(67)	(145)	(212)	(253)	(299)
Operating Cash Flow (a)	311	494	1,043	884	1,114	1,246
Capex	(70)	(251)	(1,174)	(189)	(200)	(500)
Free Cash Flow	241	243	(131)	695	914	746
Others	-43	-16	(75)	(85)	(101)	(120)
Investing Cash Flow (b)	(113)	(267)	(1,249)	(274)	(301)	(620)
Interest expense	-43	-36	(69)	(161)	(164)	(166)
Dividend	0	0	(49)	(51)	(61)	(72)
Others	-150	-123	190	182	18	15
Financing Cash Flow (c)	(194)	(159)	72	(29)	(206)	(223)
Net Cash Flow (a+b+c)	4	68	(134)	581	606	404
Closing Cash Balance	100	168	34	615	1,222	1,625

Source: GEPL Capital estimates, Company data

Exhibit 42- Consolidated Ratios Analysis

Ratios	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Solvency (x)						
Debt / Equity	0.5	0.3	0.4	0.3	0.3	0.2
Debt / EBITDA	3.1	0.7	0.8	0.8	0.7	0.6
Interest Coverage	0.4	6.8	11.9	6.3	7.2	8.2
Liquidity (x)						
Current Ratio	0.9	1.2	1.1	1.4	1.7	1.8
Cash Ratio	0.5	0.5	0.6	0.9	1.2	1.3
Profitability (%)						
Gross Profit	40.4%	46.3%	48.0%	50.0%	49.0%	49.5%
EBITDA	7.3%	17.9%	21.3%	22.7%	22.8%	23.1%
PBT	-1.9%	11.8%	16.6%	16.6%	17.5%	18.3%
PAT	-0.6%	9.2%	13.4%	12.5%	13.2%	13.7%
Operating Cash	12%	13%	23%	17%	19%	19%
Returns (%)						
ROE	-1%	26%	34%	26%	25%	23%
ROCE	2%	23%	30%	29%	28%	27%
ROIC	-1%	15%	22%	18%	18%	18%
ROA	-1%	12%	15%	13%	13%	13%
Return on Fixed	-1%	17%	30%	29%	32%	34%
Turnover						
Working Capital	-96.4	80.9	874.5	9.9	3.8	2.6
Inventory	28.5	37.1	69.1	64.3	61.3	61.1
Capital Employed	1.2	1.7	1.6	1.5	1.4	1.3
Payable	4.0	4.7	8.2	7.9	8.4	8.3
Receivable	9.6	10.3	10.4	11.1	11.1	11.1
Asset	0.9	1.3	1.2	1.1	1.1	1.0
Days						
Cash Conversion Cycle	-41	-33	-5	-13	-10	-10
Gross Operating Cycle	51	45	80	77	76	77
Receivable Day	38	35	70	66	64	65
Payable Day	92	78	86	90	86	87
Inventory Turnover	13	10	11	11	12	12

Source: GEPL Capital estimates, Company data

VALUATION & RECOMMENDATION

- Narayana Hrudayalaya Ltd.'s stock is trading at forward PE multiple of 20(x)FY26E EPS (74% discount to 07 yr Median).
- We estimate a CAGR of 13% growth in revenue during FY 23 -FY26E period.
- Profit after tax of Rs 897 cr. crore is estimated for FY26E. We Applied a PE (x) multiple of 24(x) and arrive at a market Capitalization of Rs. 21,528 cr. Vs current Market Capitalization Rs 17,779 cr.
- A 21% upside is visible as per valuations.
- We initiate coverage on '**Narayana Hrudayalaya**' with '**BUY**' rating and a target price of Rs. 1052/share (24x FY26E).

BOARD OF DIRECTORS



- Dr. Devi Prasad Shetty, Chairman
- One of the Pioneer in setting up low cost Medical Surgeries.
- Significant contribution to NH expansion.



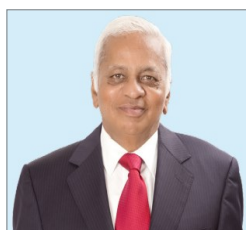
- Mr. Viren Prasad Shetty, Whole time director, Group COO
- Business Administration from Stanford School, Undergraduate in Civil Engineering
- Instrumental in designing and building some of the key hospitals for Narayana Hrudayalaya Ltd, including the Mazumdar Shaw Medical Center as well as the Multispecialty hospitals in Jaipur and Ahmedabad



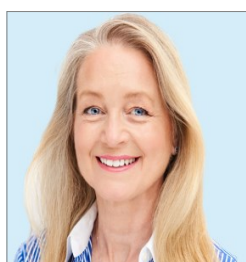
- Dr. Kiran Muzumdar Shaw, Non Executive Director
- Holds a Bachelor's degree in Science (Zoology Honors), Bengaluru University and a Masters' degree in Malting and Brewing from Ballarat College, Melbourne University
- She is the Non- executive director of the Biocon Ltd, an innovation led global biopharmaceutical company.



- Mr. Dinesh Krishanswamy, Non Executive Independent Director
- Bachelor's degree from the Government Science College, Master's degree in Mathematics from Bengaluru University
- He became a founding member of Infosys Limited. Since its founding, he has held various positions such as, a Board Member, Head of Quality, Information Systems, Head of the Communication Design Group and Chairman of Infosys Australia .



- Mr. Muthuraman Balasubramanian, Non Executive Independent Director
- Bachelor's degree in Metallurgical Engineering from IIT, Chennai, BMA from Xavier Labor relations institute.
- He has been on the Board of several companies and educational institutions. He is a professional with over 49 years of experience. Mr. Muthuraman joined Tata Steel Limited in 1966 and has held various positions at Tata Steel Limited



- Ms. Terri Smith Bresenham, Non Executive Independent Director
- She is a proven innovator and global healthcare domain expert, with a track record of technical, commercial and operational excellence that creates sustainable, profitable growth.
- She is cofounder of Forte Health Advisors, LLC and serves on boards of healthcare companies in the USA and internationally that focus on novel innovations .



- Dr. Emmanuel Rupert, Managing Director & Group CEO
- Dr. Emmanuel Rupert joined the Company in May of 2000, in the capacity of Chief Consultant - Anesthesia & as Director of Academic Services.
- In February 2019, Dr. Emmanuel Rupert was appointed as Managing Director and Group CEO .



- Mr. B. N. Subramanya, Non Executive Independent Director
- Holds a Bachelor's degree in Commerce from Bengaluru University
- He became an Associate Member of the Institute of Chartered Accountants of India in the year 1982 and a fellow member since April 1994. He began his career with Varsons Chemicals Private Limited wherein he worked as the General Manager, Finance for a period of four years.



- Mr. Arun Seth, Non Executive Independent Director
- He is an alumnus of IIT Kanpur and IIM.
- He has worked in senior commercial positions in British Telecom, HCL, Usha Martin and the UB Group, in the last 40 years.

COMPANY INFRASTRUCTURE

Exhibit 43- Health City Cayman Islands



Source: GEPL Capital estimates, Company data

Exhibit 44- Muzumdar Shaw Medical Center



Exhibit 45- Jamshedpur Facility



Source: GEPL Capital estimates, Company data

Recommendation Rating	Expected Absolute Return (%) over 12 months
BUY	>15%
ACCUMULATE	<10% and >15%
NEUTRAL	<-10% and <10%
REDUCE	>-10% and <-20%
SELL	>-20%

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